

**Town of Nantucket**

**Organization Review  
of the  
Department of Finance**

***Final Report***

**The Abrahams Group**

**September 2008**

**THE ABRAHAMS GROUP**

September 5, 2008

Ms. C. Elizabeth Gibson  
Town Manager  
Town Hall  
16 Broad Street  
Nantucket, MA 02554

Dear Ms: Gibson:

I am pleased to submit the attached final report of the Organization Study of the Department of Finance of the Town of Nantucket.

We look forward to presenting our report to the Audit Committee and to the Board of Selectmen.

Sincerely yours,

Mark D. Abrahams, CPA  
President

Attachment

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# **Town of Nantucket**

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**Town of Nantucket  
Organization Review of the Department of Finance**

**Executive Summary**

**Background and Objectives**

The Abrahams Group was hired to conduct an organization review of the Town of Nantucket's Finance Department. The Town's audit firm, Powers and Sullivan of Wakefield, Massachusetts, has been critical of the department's operations, most notably with FY 2005, 2006 and 2007 management letter comments. The auditors have been most concerned with the Town's inability to reconcile cash, specifically cash as recorded in the Treasurer's cash book, to the bank statements and then to the general ledger (the official record of all accounting activity of the Town). In May 2008, the audit firm submitted a letter to the Town Manager with guidance and recommendations to assist Department officials in the reconciliation of cash.

In recent weeks the audit firm also delivered the Audited Financial Statements for the year ended June 30, 2007. The audit firm, in its opinion letter, has qualified its opinion on the financial statements, which is a serious situation. Specifically the auditor firm states: "The Town does not have a system of internal control that allows us to form an opinion on the balance of cash, investments, and interfund receivables and payables. These internal control deficiencies also do not allow us to form an opinion on the accuracy of revenues, expenditures and expenses reported." They have also presented other management letter comments and also addressed material weaknesses in the Town's accounting and financial reporting systems.

The Department is therefore under scrutiny from the Department of Revenue (DOR) due to the late submittal of the audit, late submittal of Free Cash Worksheets and balance sheets, late submittal and filing of *Schedule A* (report of municipal spending and revenues), late submittal and filing of the *End of Year Report* (report of school spending and school revenues). Also, DOR has had issues in the past with the Town's Tax Recapitulation filing which is the basis for DOR's certification of the tax rate; the filings have improved in the past couple of years.

Based on the late filings of financial reports to DOR and the Department of Elementary and Secondary Education (ESE) (formerly the Department of Education (DOE)), about \$1.8 million in state aid (\$1.7 million of Chapter 70, \$12,000 of charter reimbursement and \$106,000 of lottery funds) has been withheld from Nantucket between 2004 and 2008 as a method of penalty to assure the mandatory reports are submitted. The state aid eventually was released, but its withholding for several months impacted negatively the Town's cash flows and consequently investment earnings. To put this into perspective, over the last several years there have been two communities that have gone into the summer time from which the DOR has withheld quarterly local aid payments, Nantucket and one other.

On April 11, 2008, DOR in a written letter, required that Nantucket provide, no later than June 30, 2008, a written plan on when the Town would complete the audits for FY 2006, FY 2007, and FY 2008, and how the Town would address the problems written in the FY 2005 management letter. The Town responded by June 30, 2008 with the following milestones:

- Submittal of the FY 2006 audit to DOR by July 3, 2008.
- Submittal of the FY 2007 audit to DOR by August 15, 2008.
- Submittal of the draft findings of The Abrahams Group Report to the Town by August 29, 2008 (Phase 1), addressing internal controls, staffing, and procedures.
- Submittal of a Finance Bi-Monthly Report to DOR by August 31, 2008.
- Submittal to DOR of the plan to complete the FY 2008 audit by September 5, 2008.
- Submittal of the first quarter FY 2009 cash reconciliation report to DOR by November 15, 2008.
- Submittal of the FY 2008 audit to DOR by March 15, 2009.

Thus, the Town decided to conduct an organizational study of the Finance Department with the objective to develop, document, and implement organizational, staff responsibility, workflow and procedural changes, in order to strengthen internal controls and to improve organizational efficiency and effectiveness. This project will analyze the financial functions, job responsibilities, workflow, controls, and operations to develop staffing and organization recommendations primarily in the Finance Department. The specific objectives of this project were to:

- Review department staffing, organization, and activities and make recommendations for improvements
- Review internal controls to assure sound division of responsibilities and make recommendations to assure effective practices and procedures
- Review operations, systems and workflows in order to improve the pre-audit and review function of the department as well as controls and effectiveness of the Finance Department
- Determine an implementation plan for accomplishment of the recommendations with timelines and assigned responsibilities for completion

Following the submittal of The Abrahams Group Report, the Town will work with us to develop a detailed implementation plan. The second phase will focus on documenting financial policies and procedures, implementing new financial controls, training, and other tasks as necessary. We did not conduct a benchmarking study nor did we conduct an audit of the financial position or results of operations of the Town of Nantucket.

The Town has met the FY 2006 and FY 2007 audit submittal deadlines. With the submittal of this report and the August 31, 2008 Finance Bi-Monthly Report to DOR, the Town continues to be on schedule with the above deadlines.

## Organization of the Report

This report is organized as follows:

- Section I. Introduction, Objectives and Methodology
- Section II. Overview of the Finance Department and Financial Activities
- Section III. Findings and Recommendations
  - A. Internal Controls
  - B. Operations, Processes and Workflow
  - C. Organization and Staffing
- Section IV. Finance Department and Financial Activities in the Future
- Section V. Implementation Guide and Timeline

## Summary of Findings and Recommendations

Section III of this report presents numerous (36) recommendations for change to improve the Department's operations, internal controls and reassigns certain functions within Finance or to other Departments. The Town is at a critical point in terms of turning around its accounting and financial reporting which in our view is the highest priority for management to address. The Town needs to address these findings and recommendations immediately, establish milestones, and hold people accountable for their actions.

<b>Number</b>	<b>Recommendation</b>
<b>INTERNAL CONTROLS: Cash Receipts and Collections</b>	
1.	Eliminate Treasurer's general ledger posting authorities
2.	Need for independent reporting of receipts and collections to the Accounting Officer
3.	Need to provide receipt for cash/checks by Treasurer's Office at time of delivery of funds
4.	Internal control weaknesses based on job design for abatement entry and payment entry to accounts receivable system
5.	Transfer bank accounts that are not under custody of Treasurer to the Treasurer's custody
6.	Require submittal of cash register tapes (proof of sales) for major turnovers to the Treasurer and Accounting Officer
7.	Eliminate the practice of sharing a "cash drawer" in Collector's Office
<b>INTERNAL CONTROLS: Payroll and Personnel Actions:</b>	
8.	Internal control weaknesses based on job design for new employee entry/pay adjustments and responsibility for payroll processing
9.	Finance Department must review and approve <i>Personnel Action Forms (PAFs)</i> and <i>Recruitment Requisitions</i> (new form)
10.	Payroll is processed without authorization document to allow the action



11. Departmental payrolls submitted and processed without department head's signature

**INTERNAL CONTROLS: Vendor Transactions and Accounts Payable**

12. Widespread decentralized MUNIS rights to create new vendors presents a weakness in internal controls
13. Need to activate MUNIS budget controls (and require transfers)
14. Require receiving reports with invoices in order to authorize payment of invoices for goods, materials or equipment

**WORKFLOWS AND WORK PROCESSES**

15. Decentralize "Time and Attendance" entry of payroll in order to optimize finance staff time, to create efficiencies and improve controls
16. Decentralize "Cash Receipts" entry to departments in order to optimize finance staff time, to create efficiencies and approve controls
17. Eliminate duplicate systems for recording abatements and exemptions
18. Immediately implement formal monthly reporting to Audit Committee as evidence of monthly cash reconciliation, accounts receivable reconciliation and budget reconciliation
19. Report all "balances due" on Municipal Lien Certificates (MLCs)
20. Record all Accounts Receivables Transactions of MUNIS General Ledger
21. Establish and maintain one accounting and financial reporting system (General Ledger)
22. Hire one audit firm to audit one set of GAAP Annual Financial Statements
23. Give long term consideration to reinstitution of quarterly billing
24. Require timely submittal and control of key reimbursements such as Chapter 90
25. Manage the tailings process on a timely basis in order to return "revenue" to the books
26. Facilitate on line access to bank statements
27. Need indirect cost methodologies for certain departments/utilities
28. Employee leave balances
29. Need to facilitate School End of Year Report Filing
30. Need to restructure the chart of accounts
31. Document financial policies and procedures

**ORGANIZATION AND STAFFING**

32. Need for clear dichotomy between treasury functions and accounting functions
33. Need to assign clear responsibilities and accountabilities to the "Accounting Officer" and to the Controller
34. Need to remove Human Resource/Personnel functions from the Finance Department
35. Need to assign "Assistant Treasurer" role to current staff
36. Assignment of additional responsibilities and cross training of the Executive Assistant to the Finance Director"

## Finance Department and Financial Activities in the Future

There has been much focus on the fact that the Finance Department is chronically late in reconciling the cashbook to the general ledger; this is the result of many larger issues within the department. Our study has found serious weaknesses in the Department including:

- Misplacement of functions and responsibilities
- Consolidation of responsibilities with one individual or unit that instead must be segregated to assure sound internal controls
- Lack of understanding of the treasury function vs. the accounting function
- Lack of understanding of the need to centralize controls and posting authorities
- Lack of sound management and control of the general ledger which risks the integrity of the general ledger
- Serious and long standing weaknesses in internal controls
- Duplicate accounting systems within the Town and maintenance of decentralized financial records due to lack of confidence in the Finance Department's record keeping
- Deficiencies in the flow and reporting of information to the Accounting Officer
- Need for recording and reporting of all departments' financial activities on the general ledger
- Processing of transactions without the authorizing documents
- Lack of fundamental understanding of why core financial activities or controls are necessary
- No clear understanding that the Finance Department must control and monitor financial activity and status
- Weak pre audit and control role of the Department

Section IV presents a four page table: *Summary of Recommended Changes: Today versus Future* that presents what we believe must change in terms of the organization, transfer of responsibilities, internal controls, operations, workflows, reporting and segregation of duties.

The Finance Department must change its fundamental role and become a pre audit and control entity responsible for the accounting and reporting of all Town departments' financial transactions, over the course of the next couple of years.

An implementation plan is presented in Section V of the Report. This implementation plan recognizes the priorities established in Section IV of the Report and the reality that not every recommendation can be implemented at once. A more detailed implementation plan will be developed as part of our Phase 2 work.

### **Leadership and Accountability**

Going forward, Nantucket must be able to establish proper internal controls and meet key accounting and financial reporting deadlines pursuant to the internal standards that the Town sets and for reporting to the Department of Revenue.

The Board of Selectmen, the Audit Committee and the Town Manager must support the change in the fundamental role of the Finance Department. It is also important that the Board of Selectmen, the Audit Committee and the Town Manager must require that all departments identified in this report adopt the changes to achieve the recommendations and comply with the recommendations in order to improve the financial controls, processes and procedures.

We hope the recommendations in this report will help set the foundation to make changes in the operation, organization, and priorities of the Finance Department. Ultimately, the Town will need to assign responsibility and hold people in the Finance Department and other departments accountable to meet these objectives.

## **I. Introduction**

The Abrahams Group was hired to conduct an organizational study of the Finance Department. The Town has a consolidated Finance Department under the management of a Director of Finance. The Department includes a total of 19.5 positions in the divisions of Assessing, Collecting, Treasury, Controller/Accounting, and Management. Assessing consists of the Assessor, four full-time, and one part-time positions and an Abatement Advisory Committee. The Collector function consists of the Collector supported by two full-time positions. Treasury includes the Treasurer and three full-time staff. The Controller oversees a Bookkeeper and Accounting Clerk. The Town is attempting to fill a vacant staff Accountant position. The Management division consists of the Finance Director, Assistant Director of Finance and an Executive Assistant to the Director.

The Town has been using the MUNIS financial management and accounting system for a number of years as well as some decentralized accounting systems. A complete overview of the Department of Municipal Finance including its organization, staffing, delineation of financial activities within the Department, those performed outside the Department and the issues and challenges the Department is currently facing are presented in Section II.

The Town's independent auditors have been highly critical of the operations and internal controls of the Finance Department. Recently, they advised the Town that the long-term solution will require a complete overhaul of the finance operations, documentation of all processes, and adherence to new financial policies, procedures, and controls. They have recommended measures, primarily focusing on cash reconciliation, that the Town could take to improve fiscal management in Fiscal 2009 while, at the same time, a comprehensive set of improvements are implemented including improved internal controls and division of responsibility. Internal controls are needed to protect a government's assets against the danger of loss or misuse, and to ensure that all transactions are properly authorized, and that data contained in financial reports are reliable.

Thus, the Town decided to conduct an organizational study of the Finance Department with the objective to develop, document, and implement organizational, staff responsibility, workflow and procedural changes, in order to strengthen internal controls and to improve organizational efficiency and effectiveness. This project will analyze the financial functions, job responsibilities, workflow, controls, and operations to develop staffing and organization recommendations for the Department. The specific objectives of this project were to:

- Review Department staffing, organization, and activities and make recommendations for improvements

- Review internal controls to assure sound division of responsibilities and make recommendations to assure effective practices and procedures
- Review operations, systems and workflows in order to improve the pre-audit and review function of the Department as well as controls and effectiveness of the Finance Department
- Develop a plan to implement the recommendations with timelines and assigned accountabilities for completion

## **Approach**

Over the course of the study The Abrahams Group has reviewed the Finance Department's organization, staffing, operations, workflows and systems. We administered a Job Analysis Questionnaire (JAQ) to all employees in order to understand each employee's principal responsibilities, utilization of time, reporting relationships, information or system needs and perceived strengths and weaknesses with respect to the organization. All department staff returned the JAQs. We then conducted interviews of 18 Department employees as to current operations, job activities, information needs, utilization accounting and financial reporting software and systems. We also have conducted interviews with another 21 individuals external to the department. *Appendix A* presents the listing of all individuals that we interviewed for the study.

We have reviewed various information and documents including:

- Current policies and procedures
- Finance Department job descriptions
- Source documents, reports and manual logs for key activities such as: *Departmental Payments to the Treasurer, Collector's Turnover, Personnel Action Forms, Certificates of Abatement, Commitments of Billings, Time and Attendance Reports, Payables Vouchers* and the like
- Prior year Audited Financial Statements and Management Letters
- MUNIS System Access and Authorities
- Schedule A, School End of Year Report, and Recap Sheets
- Town Charter and applicable by laws

## **Findings and Recommendations**

In our study we found all of the staff of the Finance Department who we interviewed to be very cooperative and helpful. The staff overall appears dedicated to the Finance Department. Staff members were extremely helpful and timely in providing reports and information to us during the course of this study.

The majority of the findings and recommendations that are presented in Section III of this report are in the areas of:

- Segregation and/or reassignment of duties and responsibilities for improved internal controls
- Decentralization of some functions to the departments to redistribute work and to better utilize Finance Department staff in a control/pre-audit role
- Transfer of some responsibilities to the appropriate unit of the Finance Department or other areas/departments
- Improved utilization of the MUNIS software and the capacity it offers for efficiency and elimination of manual records and processes
- Improve clarity in roles and “checks and balances” of certain Finance Department employees and focus on key priorities in the areas of accounting and financial reporting

### **Organization of the Report**

The remainder of this report is organized as follows:

- Section II. Overview of the Finance Department and Financial Activities
- Section III. Findings and Recommendations
  - A. Internal Controls
  - B. Operations, Processes and Workflow
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- Section IV. Finance Department and Financial Activities in the Future
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## II. Overview of the Finance Department

### Background

The Department of Finance is a consolidated Finance Department with responsibility for most financial functions of the Town and the County. The Director of Finance is appointed by the Town Manager and oversees the Assessing Division, Collection Division, Treasury Division and Controller's (Accounting) Division. The Department also has a Management Division responsible for special projects and assisting with the development of the annual budget, the capital improvement program, and financial forecasting. The Department is staffed by a total of 19.5 full time equivalent positions (FTEs).

Six positions responsible for the management and oversight of financial functions are: the Director of Finance, the Assistant Director of Finance, the Treasurer, the Collector, the Assessor and the Controller. The organization chart of the current Finance Department is presented in *Appendix B*.

Section 19-11 of the Town Code which established the consolidated Department in 1989 under a Director of Finance sets forth that the Director of Finance must elect to serve as the Accountant or the Treasurer/Collector but not both at the same time. By virtue of her office as Director of Finance, the current Director of Finance chose to serve as the Accountant. As the Accounting Officer for Nantucket, the Director of Finance is the accountant pursuant to all the requirements of Massachusetts General Law. As such this is the position that:

- Approves and signs all payroll warrants
- Approves and signs all accounts payable warrants
- Certifies funding for all contracts
- Signs certain grant reimbursement requests
- Signs and approves *Schedule A* filing to DOR
- Signs and approves the ESE (Department of Elementary and Secondary Education - the new name of the Department of Education) *End of Year Report* (in conjunction with school officials)
- Signs financial schedules of the *Tax Recapitulation Sheet* to DOR
- Signs the annual *Free Cash Worksheet* and Submittal to DOR
- Signs the Highway Report to Mass. Highway
- Signs the Community Preservation Report
- Signs the Snow and Ice Report and Submittal to DOR
- Signs the Cash Reconciliation Report and Submittal to DOR
- Signs the Accounts Receivable Reconciliation Report and Submittal to DOR
- Signs the Statement of Indebtedness Report and Submittal to DOR
- Approves and signs other documents

Four positions of the six key oversight positions have statutory authorities and responsibilities: the Finance Director (solely as the Accountant), the Treasurer, the Collector and the Assessor. The Controller and the Assistant Director of Finance have neither statutory authorities nor responsibilities.

The Department has added staff in recent years to address the growth in the Town's budget growth, volume of financial transactions, and budgeting and financial reporting needs. In 2004 the Department had 16 authorized positions versus today's 20 positions. In order to strengthen the Department, a budget analyst was added, which was then upgraded to Assistant Director of Finance. The staff accountant was promoted to Controller four months ago. Accordingly the Department has two additional management positions. Recently the Director received approval for the position of Executive Assistant to the Finance Director. This position was filled in June 2008.

It is important to clarify that the Department does not receive and process the payments for water use, sewer use or those payments related to the Airport. Historically these payments have been submitted directly to Wannacomet Water (water and sewer) and the Airport for recording in their decentralized and independent accounts receivable systems.

For purposes of this report and discussions regarding accounting, please note that the words Accountant or Accounting Officer refer solely to the Director of Finance. The other position that is key to the accounting function is the Controller; all references to Controller, will use that title. The Department has a position of "accountant" which reports to the Controller. This position is vacant. For purposes of this report this position will be called "Staff Accountant".

### **Issues of the Department**

The Town's audit firm, Powers and Sullivan of Wakefield, Massachusetts, has been critical of the department's operations, most notably with FY 2005, 2006 and 2007 management letter comments. The auditors have been most concerned with the Town's inability to reconcile cash, specifically cash as recorded in the Treasurer's Cash book, to the bank statements and then cash in the cash book to the general ledger (the official record of all accounting activity of the Town). In May 2008, the audit firm submitted a letter to the Town Manager with guidance and recommendations to assist Department officials in the reconciliation of cash.

In recent weeks the audit firm also delivered the Audited Financial Statements for the year ended June 30, 2007. The audit firm, in its opinion letter, has qualified its opinion on the financial statements, which is a serious situation. Specifically, the auditors state:

"The Town does not have a system of internal control that allows us to form an opinion on the balance of cash, investments, and interfund receivables and



payables. These internal control deficiencies also do not allow us to form an opinion on the accuracy of revenues, expenditures and expenses reported.”

They have also presented other management letter comments and also addressed material weaknesses in the Town’s accounting and financial reporting systems. Some of these include:

- The Treasurer’s cashbook was not accurately reconciled to the bank balances or to the general ledger throughout the year.
- The Town does not have a system to reconcile the balances in the due to, due from accounts that are intended to represent cash that has not been transferred between funds.
- The Town was unable to provide support for several balances maintained on the general ledger.
- The Town does not have internal procedure manuals clearly defining the responsibilities of each position within the Finance Department.
- Highway grant funds cash deficits have exceeded the known invoices that are awaiting reimbursement.
- Several of the Town’s trust fund balances do not reconcile with their respective bank accounts.

These and other situations are examples of how the Town has not established an internal control system to safeguard the Town’s assets and provide reasonable assurance that transactions are executed in accordance with management’s policies and procedures and recorded properly in the financial system. These and other reportable conditions were included in prior management letters, but were not seriously addressed until now.

The Town is therefore under scrutiny from the Department of Revenue due to the late submittal of the audit, late submittal of free cash worksheets and balance sheets, late submittal and filing of *Schedule A* (report of municipal expenditures and revenues), late submittal and filing of the *End of Year Report* (report of school spending and school revenues). Also, DOR has had issues in the past with the Town’s Tax Recapitulation filing which is the basis for DOR’s certification of the tax rate; the filings have improved in the past couple of years. Nantucket in the late 1990s converted to quarterly tax billings in order to maximize cash flows, as have many municipalities in the Commonwealth. Nantucket did not maintain quarterly billings and reverted four years ago to semi annual tax billings.

Based on the late filings of financial reports to DOR and ESE, about \$1.8 million in state aid (\$1.7 million of Chapter 70, \$12,000 of charter reimbursement and \$106,000 of lottery funds) has been withheld from Nantucket between 2004 and 2008 as a penalty to assure the mandatory reports are submitted. Of this, about \$1.1 million was related to late EOYR submittals; while about \$778,000 was due to late Schedule A submittals. The state aid eventually was released, but its withholding for several months impacted negatively the Town’s cash flows and consequently investment earnings.

On April 11, 2008, DOR in a written letter, required that Nantucket provide, no later than June 30, 2008, a written plan on when the Town would complete the audits for FY 2006, FY 2007, and FY 2008, and how the Town would address the problems written in the FY 2005 management letter. The Town responded by June 30, 2008 with the following milestones:

- Submittal of the FY 2006 audit to DOR by July 3, 2008.
- Submittal of the FY 2007 audit to DOR by August 15, 2008.
- Submittal of the draft findings of The Abrahams Group Report to the Town by August 29, 2008 (Phase 1), addressing internal controls, staffing, and procedures.
- Submittal of a Finance Bi-Monthly Report to DOR by August 31, 2008.
- Submittal to DOR of the plan to complete the FY 2008 audit by September 5, 2008.
- Submittal of the first quarter FY 2009 cash reconciliation report to DOR by November 15, 2008.
- Submittal of the FY 2008 audit to DOR by March 15, 2009.

The Town has met the FY 2006 and FY 2007 audit submittal deadlines. With the submittal of this report and the August 31, 2008 Finance Bi-Monthly Report to DOR, the Town continues to be on schedule with the above deadlines.

This report presents several recommendations for change to improve the Department's operations, internal controls and reassigns certain functions either within Finance, or to other departments. The Town is at a critical point in terms of turning around its accounting and financial reporting which in our view is the highest priority for management to address. The Town needs to address these findings and recommendations immediately, establish milestones, and hold people accountable for their actions.

### **Overview of Responsibilities, Staffing and Organization of the Divisions of the Department of Finance**

The *Management Division* is staffed by three full time equivalent (FTE) positions: the Director of Finance, the Assistant Director of Finance and by an Executive Assistant to the Director of Finance. It is important to note that both positions are recent additions, the Assistant Finance Director (formerly the budget analyst) has tenure of 1.5 years and the Executive Assistant position was added three months ago. The principal responsibilities of the division are:

- Overall management and direction of the department
- Financial forecasting
- Assist in the preparation and development of the annual budget
- Assist in the preparation and development of the annual capital improvement program (CIP)
- Oversight and preparation of accounting and financial reports per MGL

- Reconciliation of accounts receivable
- Coordination of the annual audit
- Support to the Board of Selectmen, Finance Committee, Capital Program Committee, other Town departments, and the Audit Committee

The *Assessment Administration Division* is staffed by 5.5 FTEs: the Assessor, the Assistant Assessor, the Field Assessor, Senior Clerk, Administrative Assistant and a contractual position, the Property Lister that represents approximately a .5 FTE on an annual basis and is responsible for inspections of new properties and additions in support of the field assessment function.

The principal responsibilities of the division are:

- Administration and determination of property values
- Administration and determination of new growth
- Preparation of assessment schedules for Tax Recapitulation Sheet
- Inspection of properties and new additions
- Administration of revaluations (every 3 years)
- Reviewing abatement applications and granting or rejection of abatements
- Providing support and documentation to Abatement Advisory Committee
- Providing testimony and documentation for Appellate Tax Board
- Reviewing and granting of personal exemptions
- Updating and maintaining the VISION Assessment Administration database for all property related values and transactions (abatements and exemptions)
- Reviewing accuracy of Tax Commitment/Billing Database for purposes of producing Semi annual Tax Billings and Commitments for Collector
- Entering all MVX abatements to the MUNIS Accounts Receivable System
- Entering and recording property abatements and exemptions in manual logs

The revaluations, which are conducted every three years pursuant to state requirements, are done on a contractual basis by an outside firm. The Assessors Office also receives outside support from a consultant who assists in the conversion of values from the VISION property appraisal system to the MUNIS tax-billing module in order to assure that data converts properly and that all calculations on tax bills are accurate.

The staff in the Assessor's Office is cross-trained in most functions and activities such that more than one staff position can handle the activity in the event of absences. The Assessing staff has significant longevity, with an average length of service of 14.3 years. The Assessor, Assistant Assessor and Field Assessor have the Massachusetts Accredited Assessor designation. Based on the skill sets, expertise and training of the office, it does not require any significant degree of supervision from the Finance Director.

The Assessor's Office also has several formal written policies and procedures, which delineate responsibilities and actions for many key assessment administration functions.

The *Collection Division* is staffed by three FTEs: the Collector, the Assistant Collector and the Administrative Assistant. The principal responsibilities of the division include:

- Issuance and collection of Real Estate and Personal Property Tax Bills
- Issuance and collection of Motor Vehicle Excise (MVX) Tax Bills
- Issuance and collection of Boat Excise Bills
- Preparation and issuance of Municipal Lien Certificates (MLCs)
- Processing and posting of payments for Tax, MVX, Boat, and Police and Fire Details to MUNIS (or Vadar) Accounts Receivable systems  
(From window, lock box, tax service companies and on line payments)
- Issuance of demands
- Issuance and posting of refunds to the MUNIS Accounts Receivable system
- Entry of all real estate and personal property tax abatements and exemptions to MUNIS Accounts Receivable System
- Tax takings

The staff in the Collector's Office is cross-trained in most functions and activities such that more than one staff position can handle the activity in the event of absences. The Collection's staff has an average longevity of 10 years. The Collector has received certification as a Massachusetts Collector. The office works closely with the Assessor's office and it is independent in terms of the level of direction or supervision needed by the Director of Finance.

The Assessor's Division and the Collector's Division are located at the Town Hall and are physically separate from the Management Division, Treasury Division and Controller's Division of the Finance Department.

The *Treasury Division* is currently staffed by four FTEs: the Treasurer, the Payroll Assistant, the Accounts Payable Assistant and the Cash Receipts Assistant. In recent months one incumbent has been out on "sick leave".

The principal responsibilities of the Treasury Division include:

- Review of all accounts payable (invoices) to assure they are charged to the appropriate General Ledger (G.L.) fund and account and meet MGL standards for accountant's review for payment
- Issuance of vendor numbers to departments, who then set up their own vendors in the MUNIS system
- Review of all payroll charges to assure they are charged to the appropriate General Ledger (G.L.) fund and account and meet MGL standards for release
- Set up of all new employees on the payroll system
- Administration of all employee personnel actions and transactions in the MUNIS system (new hires, wage changes, promotions, terminations, deduction changes)

- Receipt of cash and checks from the Collector and several departments of the Town, and counting of the cash/check turnovers,
- Posting of cash receipts to the general ledger of the Town and for deposit of the funds at the bank
- Assurance that all new employees are filling only vacant positions to assure budget compliance
- Assistance to employees in employee benefits and insurance administration
- Coordination with the Town's financial advisors (First Southwest) for debt issuances
- Administration and recording of cash receipts and cash disbursements in the QuickBooks "Cash Book"
- Filing and reporting of state and federal taxes
- Reconciliation of the Town's bank statements to the "Cash Book"

The Treasury Division is also responsible for the receipt and filing of several forms (Collector's Turnover, Departmental Payments to the Treasurer, Commitments of Billings and Abatements) that for the most part are submitted only to the Treasurer (and not to the Accounting Officer for checks and balances).

The Treasury staff has an average length of service of 3 years. The Treasurer is a certified Massachusetts Municipal Treasurer. This division receives more intervention, review, and time of the Finance Director than others in the areas of the cashbook and bank statements.

The *Controller's Division* is staffed by the Controller, the Operations Bookkeeper, and the Accounting Clerk. There is one vacant position, the "Staff Accountant". The Controller has served in the division for 2.5 years and was promoted to Controller four months ago. The Accounting Clerk was hired recently in July 2008. As discussed above, the Director of Finance, per the Town Code and per Massachusetts General Law, is the Accounting Officer and is responsible for the integrity of the general ledger and the financial statements, and for the accuracy and filing of many financial schedules and reports to the Commonwealth. The principal duties of the division include:

- Maintaining the accuracy of the general ledger (the official legal record of all of the Town's assets, liabilities, fund balances, revenues and expenditures)
- Recording and posting journal entries
- Setting up new accounts and "funds" on the general ledger
- Verifying and reconciling cash on the general ledger to Treasurer's cash
- Updating and maintaining fixed asset records
- Insurance and Risk Management
- Entry of budget amendments
- Preparing *Schedule A, Financial Schedules of the Tax Recapitulation Sheet, Combined Balance Sheet for Free Cash Certification, Free Cash Worksheet, checklists, and other reports.*

It is also important to note that the reconciliation of accounts receivable is not a function of the Controller's Office or of the Accounting Officer rather it is a responsibility of the Assistant Director of Finance within the Management Division.

The *Controller's Division* has in the past received consulting support related to reconciliation of cash, closing of the books, valuation and reporting of fixed assets, and the preparation and filing of *Schedule A*. Outside assistance to prepare the *Combined Balance Sheet for Free Cash Certification* and *Schedule A* is planned for FY 2008.

### **Other Comments**

The Department of Finance is responsible per state law for the financial reporting and accounting of all financial activity of the departments and units of the Town of Nantucket.

We note also that the Town has several enterprise funds established pursuant to Massachusetts General Law. The fact that a department of Town government has its activities accounted for in an enterprise fund does not mean it is an independent entity; the enterprise fund simply segregates its financial activity and reports the surplus or deficit for each accounting period. The Airport, Wannacomet Water, Siasconset Water, Landfill, and the Town's Sewer Utility are enterprise funds and units of Town government that are funded by an appropriation of Town meeting each year. As such the Accounting Officer of the Town is responsible for all accounting and financial reporting for these units of government and their enterprise funds.

The Town of Nantucket is audited on an annual basis by an independent certified public accounting (CPA) firm, which prepares and delivers annual financial statements, a management letter, and a federal funds audit. The CPA firm also provides an agreed upon procedures review of the school department's End of the Year Report as filed with the Department of Education.

The Airport and Wannacomet Water also employ another audit firm to provide an audit of their separate financial records.

### **III. Findings and Recommendations**

This section presents our findings and recommendations, organized by:

- A. Internal Controls
- B. Operations, Procedures, and Workflow
- C. Organization and Staffing

#### **A. INTERNAL CONTROLS**

The first section of findings and recommendations addresses weaknesses in internal controls. It is important to have sound division of responsibilities and segregation of duties to assure sound controls in the processing of all financial transactions. This section identifies changes that should be made in the assignment of duties or combination of duties assigned to certain staff within the Finance Department or other departments of the Town.

This section is divided into three sub sections:

- Cash receipts and collections
- Payroll and personnel actions
- Vendor transactions and accounts payable

#### **INTERNAL CONTROLS: Cash Receipts and Collections**

##### **1. Eliminate all of the Treasurer's general ledger posting authorities**

##### **Finding:**

The current responsibilities of the Treasurer include a combination of activities that do not provide for an appropriate segregation of duties. The Treasurer is responsible for:

- Reconciling the bank statements
- Maintaining the Cash Book
- Posting cash receipts, payroll and payables to the general ledger
- Setting up new employees in the MUNIS system
- Collecting receipts (cash and checks)

In addition the Treasurer has virtually total security clearance and access within the MUNIS accounting and financial management system to enter, process and post to the general ledger in the areas of journal entries, payments, cash receipts abatements, creation of new employees, and changes to employee wages; as well the position has authority to override MUNIS batches of other staff. The general ledger is the responsibility of the accounting officer in a municipality, not the treasurer.

The current responsibilities of the position, maintaining the “Cash Book” and reconciling the bank statements to the “Cash Book,” in combination with unlimited posting authorities and control of the general ledger (the accounting side of the operation), presents significant internal control weaknesses and creates the potential for fraud. (Please note that the potential for fraud does not mean that fraud exists. We were not engaged to nor did we perform a fraud audit or review).

**Recommendation:**

The Director of Finance and the IT Director should immediately remove all general ledger posting authority of the Treasurer. In order to assure a sound segregation of duties, the Treasurer should be able to view (query) MUNIS screens only. The position should have no posting rights to the general ledger.

**2. Need for independent reporting of receipts and collections to the Accounting Officer****Finding:**

At present all reporting of receipts and collections is solely to the Treasurer; a copy of the *Departmental Payments to the Treasurer* form or the *Collector’s Turnover to the Treasurer* is not provided to the Accounting Officer, who is the sole responsible party for the accurate recording of all financial activity on the general ledger. The form should go to each officer (Accounting Officer and to Treasurer) to assure “checks and balances”.

Also, the Treasurer (or designee) posts all cash receipts/collections to the general ledger in lieu of the Accounting Officer or accounting designee, which is an additional weakness.

**Recommendation:**

The Accounting Officer must require that all departments turning in cash/checks submit the *Departmental Payments to the Treasurer* form as well as the *Collector’s Turnover to the Treasurer* to the Treasurer AND a separate copy to the Accounting Officer. This dual reporting of cash receipts and collections assures, from an internal control view, that there is an independent copy to the Accounting Officer for recording the transaction on the general ledger. The copy to the Treasurer is the source document for recording receipts in the Treasurer’s “Cash Book”. The two separate copies are fundamental tools to support the reconciliation of cash each month.



**3. Need to provide receipt for cash and check turnovers by Treasurer's office at the time of delivery of the funds****Finding:**

The Collector's office and many departments of the Town turn over cash and checks to the Treasurer's office for deposit in the bank. Many times the Treasurer's office does not provide a receipt to the person turning over the cash and checks at the time of delivery. This can present a risk when the cash/checks are counted later in the day, as there can be an issue as to what amount was actually turned over. In addition, there is no signed document as evidence that receipts were turned over. Also, there is no cash register (receipting device) at the Treasurer's office.

**Recommendation:**

All cash and checks that are turned over to the Treasurer (or designee) should be counted in front of the person turning over the cash/checks. The Treasurer (or designee) should then provide a signed receipt to the person of the amount remitted.

The Finance Department should create a three-part form for two documents (Departmental Payments to the Treasurer and Collector's Turnover to the Treasurer). Specifically, one copy is for the Treasurer, one for the Accounting Officer, and one for the department's records. When the cash/checks are counted, the Treasurer or designee signs the form documenting the dollar amount turned in. The specific department should then immediately deliver the "receipted copy" to the Accounting Officer/Controller. As such the Accounting Officer then has evidence of the amount turned over and receipted as sound documentation before the Accounting Officer (or Controllers staff) posts the amount to the general ledger.

**4. Internal control weakness based on job design for abatement entry and payment entry to accounts receivable system****Finding:**

The Assessor's office is responsible for the review, approval and issuance of all real estate and personal property abatements and for exemptions. The Assessor's office processes all aspects of motor vehicle excise abatements in MUNIS but forwards all real and personal abatements and exemptions to the Collector's office for MUNIS processing. As such staff in the Collector's office that can enter payments can also abate (reduce) a portion or all of the taxpayers' receivable in the MUNIS system.

This is a serious internal control weakness as the same person should not be able to apply payments and at the same time have MUNIS clearance/rights to abate the receivable.

**Recommendation:**

The practice of the Collector's office entering abatements and exemptions should cease immediately and the MUNIS access and authority to "abate" in MUNIS should be removed from all positions within the Collector's office. Authority to enter abatements to taxpayer's accounts within the MUNIS system should only be a MUNIS right and authority of staff in the Assessor's office. All entry of tax abatements and exemptions to the customer accounts within the accounts receivable system should be the responsibility of the Assessors.

Moreover, only the Accounting Officer (or designee in the Controller's Office) should have authority to post transactions to the general ledger.

**5. Transfer all bank accounts that are not under custody of the Treasurer to the Treasurer's custody.****Finding:**

There are bank accounts for Town transactions that are not under the custody of the Treasurer. This is a weakness in internal controls.

The first bank account in question is maintained by the Town Clerk under her name. It has both depository and check writing authority and the sole signature required for checks is that of the Town Clerk. All receipts and checks received by the Town Clerk for various licenses and permits are deposited in the Town Clerk's bank account instead of being immediately turned over to the Treasurer on a *Schedule of Departmental Payments to the Treasurer* (and to the Accounting Officer) and deposited in the Town's general depository bank account. Currently, the Town Clerk only turns over funds to the Treasurer on a once a month basis when the Town Clerk writes a check from her bank account to the "Town of Nantucket" for deposit in the Town's bank account. Also the Town Clerk has the ability to write checks on this bank account and pay invoices.

The second bank account not under the jurisdiction of the Treasurer is a bank account maintained by the Collector. This bank account is for the deposit of funds collected by the Town's Deputy Collector for delinquent motor vehicle excise accounts. Both funds due to the Town and fees due to the Deputy Collector are deposited in this bank account. The Collector's signature is the sole signature on the bank account required for the release of payment of the fees due to the Deputy Collector.

**Recommendation:**

The two bank accounts should be closed. The Treasurer should be the only one with custody of Town bank accounts. All receipts/collections must be reported to the Treasurer and to the Accounting Officer and recorded on the Town's "Cash Book" and on the general ledger.

Also, with respect to the Town Clerk's process, all cash receipts and checks should be reported and turned over every couple of days to the Treasurer for deposit in the Town's general depository bank account under the custody of the Treasurer. All payables transactions of the Town Clerk should be paid solely through the Town warrant duly reviewed and signed by the Accounting Officer and also by the Board of Selectmen.

With respect to the Collector's bank account, some Towns have a separate account, although payments of fees to the Deputy Collector must be based on co-signing authority of both the Collector and Deputy Collector. We recommend that the sounder practice is to close the bank account. The Deputy Collector should simply submit a schedule of fees that are payable to the Deputy, at this point the Collector should review it. If appropriate the Collector should approve it and process it as a payable on the accounts payable warrant. The payment to the Deputy Collector would only be released through the Town warrant duly reviewed and signed by the Accounting Officer and also by the Board of Selectmen.

Our review did not include a comprehensive testing with banks in the area; these bank accounts became apparent based on our review of processes and procedures in certain areas. We recommend that if testing with banks in the area, by the audit firm, reveals any other bank accounts under the Town's tax identification number that are not under the custody of the Treasurer, that these accounts should likewise be closed.

**6. Require submittal of cash register tapes (proof of sales) for major turnovers to the Treasurer and to the Accounting Officer**

**Finding:**

Certain departments have significant "sales activity" including school lunch and athletics. At present when these departments turn over their cash and checks, no documentation is provided of actual sales based on a cash register tape or other supporting documentation. This presents a weakness in internal controls.

**Recommendation:**

The Controller and Accounting Officer should initiate a process such that major areas of activity (sales) are documented with a cash register tape. This will ensure that all cash and checks turned over (or deposited by the department at the bank) match the actual source documentation at the point of sale to assure sound control and deposit of all funds originally collected at the point of sale.

**7. Eliminate practice of sharing a “cash drawer” in the Collector’s Office****Finding:**

The current practice in the Collector’s Office provides that the staff (up to three positions on a given day) all use the same “cash drawer” for all cash and check transactions of the day. This does not assure accountability in the event of discrepancies in the amount in the “cash drawer”.

**Recommendation:**

In order to improve controls and identify all activity for each person who accepts payments over the course of the day, it is important for each staff person to have their own “cash drawer”. Each day each person should “close out” in MUNIS and turn over their deposit based on the activity of their own “cash drawer”. This practice will better enable the office to identify if and when discrepancies exist.

**INTERNAL CONTROLS: Payroll and Personnel Actions****8. Internal control weakness based on job design for new employee entry (pay adjustments) and payroll processing****Finding:**

There is no segregation of duties for set up of new employees, wage adjustments, and the responsibility for the actual processing of payroll. The same position that sets up and adds persons to the payroll should not also have MUNIS authority to process the payroll and release the paychecks. This process is also inefficient and requires extensive communications between various staff in the Finance Department and the Human Resources Director.

**Recommendation:**

The responsibility for the set up of new employees, termination of employees, and changes to the wage tables in MUNIS should be the responsibility of the Human Resource Department. This will provide two benefits:

1. It will create accountability within the Human Resources Department for entry to MUNIS of all personnel related actions
2. It will establish the segregation of duties by transferring some functions to a different position in a separate department of Town government.

The staffing and organization section of this report provides additional recommendations in this area.

**9. Finance Department must approve *Personnel Action Forms* (PAFs) and *Recruitment Requisitions* (recommended new control form).**

**Finding:**

Employee actions (additions to payroll, wage increases, and the like) are approved based only on the approval (signature) of the department head and the Human Resource Director. The Finance Department does not currently have to sign off on the PAF for personnel actions that have a financial impact. As a result some personnel actions have had budgetary implications without the approval of Finance in a pre audit, control role.

**Recommendation:**

The Finance Department has implemented “position control” in the MUNIS system. To assure its effective implementation and to assure budgetary compliance, the Finance Department must have approval/rejection authority before hiring actions are taken, including initiatives to recruit for positions. As such, two changes should be implemented:

1. The Finance Department must be an approving signature on the PAF to assure budgetary compliance, and
2. No position should be advertised or recruited without the Finance Department’s (Assistant Director of Finance) signature/approval on a *Recruitment Requisition* (a new form that should be implemented). The new *Recruitment Requisition* must be signed by the department head, the Human Resources Director and the Assistant Director of Finance (as the Budget Officer of the Town).

**10. Payroll is processed without an authorized document to allow the action**

**Finding:**

The Finance Department has processed payroll adjustments based on “collective bargaining” settlements based on the verbal instruction of the Human Resource Department. The retro payroll action made the adjustment effective on July 1<sup>st</sup> of the respective fiscal year. Many employees received excess compensation as a result.

**Recommendation:**

It is important that all Finance Department staff understand that payroll (or any) transactions and adjustments must be processed and authorized only upon written authority. In this instance, the Treasurer (who currently oversees payroll) needed to obtain a copy of the executed collective bargaining agreement. Wage adjustments can only be released by Finance based on sound controls, including receipt of the authorizing documents and clear understanding of its contents.

**11. Departmental payrolls submitted and processed without department head's signature**

**Finding:**

We have noted some payrolls that are submitted and processed each week that are not signed by the department head. Massachusetts General Laws requires that payrolls must be signed by the department head as certification of the time worked by the employees of that department.

**Recommendation:**

It is important that all Finance Department staff understand that payroll (or any) transactions and adjustments must be processed and authorized only upon written authority. The Finance Department must assure that any transaction including payroll is processed after receipt and review of the proper authority/signature.

**INTERNAL CONTROLS: Vendor Transactions and Accounts Payable**

**12. Widespread decentralized MUNIS rights to set up and create new vendors presents a weakness in internal controls**

**Finding:**

The Collector's Office, the Treasurer's Office and most departments throughout the Town including the school department can create and set up vendors in the MUNIS system. Many of these offices then process a payable (Treasury), a refund (Collector's Office) and control release of the payable check or refund check. The ability for the same person to set up vendors, approve a payable or refund, and control the release of the check to vendors or taxpayers presents risks, as duties are not segregated to prevent the potential for fraud. Specifically, a fictitious vendor could be set up and payments processed to the fictitious vendor.

We do note that the accounts payable clerk provides vendor numbers over the phone. But multiple employees access the new vendor function and can create and set up new vendors.

**Recommendation:**

MUNIS rights and access to set up vendors should be removed from staff in all municipal departments as well as the school department. One position in the Town Manager's office (procurement office of the Town) should have authority to create a new vendor in the MUNIS system. This position should only create the vendor based upon appropriate documentation: the federal tax identification form (W-9).

Normally the Town would not need a Manual Log with a manual list of vendors, as MUNIS would report all vendors by name or by vendor number.

### **13. Need to activate MUNIS budget controls**

#### **Finding:**

The MUNIS general ledger provides the ability (feature) to control expenditures and encumbrances and to reject any encumbrance or expenditure that would exceed budget. MUNIS can be set up to control at the line item level or at the category (appropriation) of expenditure (personal services, expenses, capital). Currently the budget controls in MUNIS are not activated to allow system control to prevent expenditures in excess of budget.

#### **Recommendation:**

The Accounting Officer should immediately implement the MUNIS budget control features that will warn/prevent budget lines/categories from being exceeded. The line item level is a more detailed level of control but it provides the most discrete level of control. We recommend that the Town manage the budget at this level through the MUNIS system.

This will “force” transfers from accounts/areas with excess funds to the account/area that is deficient. It will prevent the entry of encumbrances and the payment of invoices that will put overall management of the budget at risk of deficit spending.

The budget should be actively managed by each department. If, for example, MUNIS rejects the entry of a purchase order or payable, the department staff can prepare a MUNIS budget transfer (within the total appropriated expense amount) for review and posting by the Accounting Officer/Controller.

This recommendation will promote the active management of the budget by each department and will prevent any possible budget overages by system control of the budget.

We also note that several staff said that the Assistant Director of Finance (as the Budget Officer) is responsible to assure that departments do not exceed their budgets. This position can advise of potential issues with a budget and its ability to sustain through the fiscal year, however per Massachusetts General Laws, the Accounting Officer is the sole position to assure that no expenditure is made in excess of any appropriation of Town meeting.

**14. Require *Receiving Reports* with invoices to authorize payment of invoices for goods, materials and equipment****Finding:**

The current accounts payable process provides that departments submit an original invoice as the basis to pay the vendor. A department head that pays invoices for goods, materials and equipment should have evidence that the goods or materials were actually received by some one in the department via documentation of a receiving slip or packing slip.

**Recommendation:**

In order to institute stronger controls, the Accountant and Controller should implement a policy and procedure that payments for goods, materials and equipment will be made based upon:

1. Submittal and approval of the invoice by the department head and
2. Submittal and approval of the receiving slip/packing slip signed by the staff member of the department who received the goods.

**B. WORKFLOWS AND WORK PROCESSES****15. Decentralize “Time and Attendance” component of payroll to optimize finance staff time and to create efficiencies****Finding:**

Currently accounts payable entry in MUNIS is decentralized to the various Town departments and to the school department. This means that each department enters its invoices/payables to MUNIS and then the appropriate documentation is submitted to allow the Finance Department to review/audit the hard copies to the department’s MUNIS payables batch.

At present, “time and attendance” which is the reporting of hours worked, sick, vacation, personal leave etc. is not entered by the Town departments. Currently, hand written entries on the *Earnings Worksheet* are submitted or delivered to the Treasurer’s Office and the Treasurer’s staff enters the time and attendance centrally.

Time and attendance entry is an inefficient process, as it requires the handwriting of staff time/leave on to a MUNIS entry form when it could be entered directly by each department and then printed and signed by the department head. The Finance Department could then review the payroll batch with the time and attendance component filled in.



**Recommendation:**

In the near future the Finance Department should decentralization “time and attendance” to the departments. The departments are responsible for time and attendance in any event and are the staff that knows the attendance of their employees. The department head is responsible to certify the hours of departmental staff.

The recommended process simply delegates the entry of the time and attendance. All payroll review, correction and processing functions are retained in the Finance Department.

The benefits are:

- It removes much data entry from one position in the Finance Department and while each respective department has to do it (it represents less volume as each department is just entering time and attendance for its own employees).
- It promotes finance/accounting’s role as a reviewer/auditor of the data instead of focusing on data entry.
- It reduces errors as less people handle payroll information.

Again, each department would have “entry only” rights in the MUNIS Payroll Module. The Accounting/Controller staff of the Finance Department would be the only staff authorized to process payroll and the only staff with MUNIS rights to post weekly/biweekly payrolls to the general ledger after review of the source documents.

**16. Decentralize “cash receipts entry” to departments in order to optimize Finance Department staff time, to create efficiencies and improve controls****Finding:**

At the present time, most departments deliver their receipts (cash and checks) to the Treasurer’s Office. The receipts are often not counted at the time of delivery and the department receives a receipt of the transaction one or two days later. At present the receipts have not been reported independently to the Accounting Officer. The Treasurer’s Office is responsible for the deposit at the bank. The Treasurer’s staff is also responsible for all the data entry of the “receipts” by general ledger account.

In the internal controls section we recommended new control procedures to assure a sounder turnover of cash/checks process.

The process can be improved in order to minimize data entry time of the Treasurer’s staff and to assure timely transmittal of funds to the bank.

**Recommendation:**

The Finance Department should consider decentralizing the MUNIS entry of “cash receipts” and allowing departments to simply make the deposit at the bank themselves. Many departments are located in relatively close proximity to the bank.

Under the new process, the department would:

- Enter the receipts by MUNIS code to the MUNIS system and print the MUNIS *Payment Proof*
- Attach the *Payment Proof* to a *Turnover Sheet* signed by the department head
- Submit the signed turnover and the deposit slip stamped by the bank to the Accounting Officer and to the Treasurer

At that point:

- The Accounting Officer will review the documentation and if it is in order will post the transaction to the general ledger
- The Treasurer will record the transaction in the cashbook.

Also, the departments should have online access to their MUNIS revenue accounts to review and check that the deposit (receipts) is posted by the Accounting Officer (or designee).

As another control, the Treasurer as custodian of the bank account, could be set up as a Master Account and each department could have its own sub account to isolate each respective department’s deposit activity.

**17. Eliminate duplication in recording abatements and exemptions****Finding:**

The Assessor’s office appears to have effective processes in place in terms of sound documentation that is recorded with care through manual processes on manual certificates and in manual logbooks. However there is a duplication of effort within the Assessor’s office manual logs and records and the subsequent recording of the same data/information within the MUNIS financial management system, which is inefficient. Our finding specifically applies to the dual recording of real estate and personal property abatements, real estate exemptions (veterans, surviving spouse etc) as well as to the dual recording of motor vehicle abatements.

**Real Estate Abatements and Exemptions – Current Process**

Application is approved, amount to be abated is indicated and approval authority signs the application.

A handwritten manual certificate is prepared:

- One is retained in the *Certificate Book*,
- One is forwarded to the Collector and
- One mailed to the taxpayer.

The abatement/exemption information is then hand recorded in the logbook with name, address. The abatements in the batch (group) are then totaled and recorded in the logbook.

When the Collector's office receives their copies of the abatement certificate, then the Assistant Collector enters the abatement-processing feature of MUNIS and enters the information to the respective taxpayers account. (The internal control weakness with abatement activity in the Collector's Office is discussed in the Internal Controls section of this report). When the Collector enters the abatements for the period, the Collector's office and the Assessor's office reconcile that specific MUNIS batch to the manual abatement logbook.

The Collector's staff has responsibility to post the abatement to the general ledger.

#### Motor Vehicle Abatements – Current Process

At present the Assessor's Office does directly enter all motor vehicle excise (MVX) abatements to the MUNIS system and the taxpayer receives a MUNIS generated abatement certificate. However, all motor vehicle excise tax abatements are hand recorded in the Motor Vehicle Abatement logbook.

#### **Recommendation:**

##### Real Estate Abatements and Exemptions

The Assessor's Office should cease the use of manual abatement forms and logs. The more efficient process that also provides controls is:

The Assessor's staff should enter the abatement or exemption (as approved on the Application form) to the respective taxpayer's account in the MUNIS System. The abatements should be entered in MUNIS on a daily basis, the Certificates processed and mailed on a daily basis.

The Assessor's staff should run a tape or Excel tally of the amounts on the approved Abatement Applications compared to the amounts entered in the MUNIS abatement batch to assure they reconcile. This information should be forwarded to the Collector and to the Accounting Officer. Upon verification that the MUNIS batch total and the Approved Application amount reconcile, the Accounting Officer (or designee) will post

the batch to the general ledger and reduce the Overlay (Provision for Abatements and Exemptions).

The Assessors will have in the actual file the date of the application for abatement and the date of approval or rejection by the Abatement Advisory Committee.

The Collector's office is eliminated from any entry and reconciliation activities. The Accounting Officer simply would not post the abatement(s) if the source documents and the MUNIS batch do not agree.

#### Motor Vehicle Abatements

We recommend that the manual recording in the logbook be eliminated. Once the approved MVX authorization is reconciled to the batch entered to MUNIS then the MUNIS listings can serve as the log/record.

### **18. Immediately implement formal monthly reporting to Audit Committee as evidence of monthly cash reconciliation**

#### **Finding:**

A major issue facing the Finance Department is the reconciliation of cash. The lack of periodic and timely cash reconciliations has been a continual and significant finding of the Town's independent audit firm. They have also made procedural recommendations to facilitate cash reconciliations, which they submitted in May 2008.

#### **Recommendation:**

The Finance Department is in the process of reconciling cash for FY 2008. Once FY 2008 is reconciled, cash must be reconciled for each month in FY 2009 within 20 days of the close of the month to stay current and prove that "Cash" is reconciled. This issue is so important that proof of the reconciliation must be submitted to the Audit Committee by the 20<sup>th</sup> of each month.

As a supplement to the audit firm's recommendation, we recommend that by the 20<sup>th</sup> of the following month that the Treasurer and the Accounting Officer submit a *Monthly Bank Statement Reconciliation to Treasurer's Cash Book* report to the Audit Committee. The reconciliation should present all of the following for each bank account:

- The bank statement balance
- Outstanding current checks
- Outstanding checks more than 180 days
- Unwarranted disbursements (current month)
- Unwarranted disbursements (more than 30 days)
- Deposits in transit (current month)

- Deposits in transit (more than 30 days)
- Other adjustments (current month)
- Other adjustments (more than 30 days)

A sample of the *Monthly Bank Statements Reconciliation to Treasurer's Cash Book* is presented in *Appendix C*.

The Accounting Officer should present a cash report identifying the cash transactions booked to the general ledger for that month (i.e., daily cash receipts, vendor warrants, payroll warrants, journal entries recorded to "Cash" and any other adjustments on the general ledger).

The report shall be published and submitted with a cover letter signed by the Treasurer and Accounting Officer with any items of note to the Town Manager and to the Audit Committee as evidence of the monthly reconciliation.

This recommendation is also applicable to the monthly accounts receivable reconciliations. In brief, the Audit Committee should receive a signed letter between the officials who maintain the accounts receivable detail and the Accounting Officer that the detailed receivables database and MUNIS general ledger reconcile at the end of each month. This will apply to all receivables: real estate, personal property, motor vehicle excise tax, Wannacomet Water, Siasconset Water, Sewer Utility, etc.

## **19. Report all "balances due" on Municipal Lien Certificates (MLCs)**

### **Finding:**

The Collector's Office prepares Municipal Lien Certificates (MLCs) based upon requests of law firms when a property is to be sold. The Collector's Office responds promptly and well within the ten days allowed per Massachusetts General Law.

Normally an MLC issued by the Collector's Office in a Massachusetts' municipality presents for the law firm (and buyer) the outstanding balances for all committed receipts (property tax and user charges, i.e. water and sewer balances due, if any). It is important to present and convey this information on the legal document, the MLC, in order to document the balances due and to protect the Town's right to collect the money in the future. When this information is not reported on the MLC, the Town's rights/claims to the monies are less than perfect.

An unusual situation in Nantucket is the fact that the water and sewer receivable system is maintained by the Wannacomet Water Company (a department of the Town). They use *Inhance Utility Solutions* Billing and Accounts Receivable system and not the MUNIS utility billing and accounts receivable system. The Town's collector does not have access to this system.

Since the Town's Collector's Office is not vested with the responsibility to accept payments and maintain the accounts receivable detail for the Town's water and sewer activities, the Office does not provide information on water and sewer balances on the MLC and refers the law firm (party requesting the balances due on the parcel/property) to the Town's water department (Wannacomet Water). As such the MLC is issued with incomplete information that does not protect the Town's rights in the future to claim delinquent water and sewer balances. It is up to the law firm to have phone conversations with Wannacomet Water regarding water and sewer balances, which does not achieve the objective of formal reporting on an MLC to protect the Town's rights.

**Recommendation:**

The Collector's Office must be the sole authority to issue information on property tax and user charge (i.e. water and sewer etc.) balances due (or not due) at the time of sale of a property on the island. As such, we recommend that the Collector's office report all balances due on the property, as soon as practical.

To accomplish this, the Collector's Office must have on-line access (for query) to *Wannacomet's Inhance Utility Solutions* Billing and Accounts Receivables system/database. This on-line, remote access to the water department's Billing and Accounts Receivable should be set up immediately or as soon as practical. This database contains the water and sewer balances due. The Collector must have assurance from Wannacomet Water that the receivables are current (payments are recorded daily). So commencing as soon as possible, the Collector's Office will have access to all balances due on the parcel from two databases: MUNIS and *Inhance Utility Solutions*.

**20. Record all Accounts Receivables (Summary level transactions) on the MUNIS general ledger****Finding:**

The Town utilizes an integrated financial management, accounting and reporting system, (MUNIS) for general ledger, accounts payable, payroll, purchasing, fixed assets, and cash receipts. However, some receivables for Wannacomet Water, Siasconset Water, the Sewer Utility, Landfill, and the Airport are decentralized in independent accounts receivable systems.

When there are separate billing/accounts receivable databases the transactions that are processed in those systems must be reported to the Accounting Officer of the municipality and recorded on the general ledger of the Town., the legal record of all accounting and accounts receivable activity: the billing commitments, the abatements, the payments (receipts) and the refunds. That is the only way in which the general ledger of the Town will reflect the accurate receivables.

In order to fully utilize the general ledger component of the MUNIS system and to have an accurate and current general ledger, it is essential that the MUNIS accounts receivable module reports all receivables of the Town and that they be current and supported by source documents. This is not the case with Wannacomet Water, Sewer, Siasconset Water and the Airport receivables.

Over one year ago, the Finance Department took a positive initiative and developed and issued an *Accounts Receivable Policy and Procedures* document. The document was clear as to the reporting requirements and documents to be submitted by each Town department that bills various accounts receivable (i.e. Wannacomet Water, Airport, etc).

Certain departments do not comply with the policy and do not provide the required documents for recording of key transactions on the MUNIS general ledger of the Town. The result is that the MUNIS system does not report timely and accurate receivables (at a summary level) for these departments. When the receivables detail is resident with a department, the summary level information must be recorded on a current basis on the general ledger. Then the two balances (general ledger vs. detailed receivables system) must be reconciled each month by the Accounting Officer (or designee).

For example, the Wannacomet Water department operates as follows: Wannacomet Water bills for:

- Water use of its customers
- Water use of Siasconset Water customers
- Sewer use of customers (per an understanding with the Department of Public Works).

As record of the billings for recording on the general ledger of the Town, Wannacomet Water provides:

- No record of the Wannacomet commitment of billing each month
- Handwritten record of Siasconset Water commitment of billing with no supporting/reconciling total from the *Inhance Utility Solutions* receivables system
- Handwritten record of Sewer billing with no supporting/reconciling total from the *Inhance Utility Solutions* receivables system

With respect to abatements (release of charges), Wannacomet does not provide documentation for either its own abatements, Siasconset abatements nor for sewer abatements. Abatement activity (the release of committed charges) must be recorded timely on the general ledger.

Also we note that commitments that have been submitted have been sent to the Treasurer. The Treasurer of a municipality is not involved with receivables. All receivable transactions must be submitted to the Accounting Officer who is the official responsible for the general ledger.

**Recommendation:**

Immediately all receivables transactions must be submitted to the Accounting Officer on the date of the transaction so that the general ledger is accurate and reflects current receivable balances. For example, when Wannacomet Water issues a commitment of billing for Wannacomet, Siasconset and sewer user charges for the month/period, the commitments must be signed and must be submitted with the supporting detail from the *Inhance Solutions Utility* billing system to the Accounting Officer. At that point the Accounting Officer will record the commitments on the general ledger.

Any abatements signed and approved by the abatement authority for Wannacomet, Siasconset, Sewer, Landfill, and Airport must be submitted to the Accounting Officer forthwith for recording on the general ledger to reduce the receivable.

At the end of each month, based on all the source documents submitted for recording on the general ledger, the general ledger balance and the detailed receivables systems must be reconciled. Without the provision of the required documents, this has not been possible.

We have classified this issue under workflow and operations but it is also a serious internal control issue as units of the Town government are committing, abating, refunding and processing payments without providing key source documents to the Accounting Officer to allow timely and accurate general ledger postings and related reconciliations.

**21. Establish and maintain one accounting and financial reporting system**

The Town owns an integrated accounting, financial reporting and financial management system, the MUNIS system. As explained above (Finding 20) some billing and receivables are accounted for in separate systems.

In addition certain departments most notably Wannacomet Water and Airport maintain separate revenue and expenditure ledgers. Multiple accounting systems are inefficient. The MUNIS system should be the system of record for all revenues, budgets and expenditures as all cash receipts for all departments are posted to MUNIS and all budgets and payables are recorded in MUNIS.

In addition in the future (if our recommendations are implemented), payables, payroll and cash receipts will be entered by departments. As such, MUNIS should be the only system for departments to refer to for a record of revenues, expenditures and budget to actual reports.

Departments have on line access and report printing access to their accounts so MUNIS will facilitate timely information and reporting. The Finance Director can determine if



some departments should have additional training in MUNIS capabilities and whether the Controller's Office staff or MUNIS should provide the training.

**22. Hire one audit firm to prepare one set of audited financial statements for all Town departments and all Town funds**

**Finding:**

For several years multiple audits have been done. One audit firm audits the Town wide GAAP Financial Statements, and provides the management letter and federal funds audit on a Town wide basis. The Airport and Wannacomet Water hire an different audit firm to audit and prepare financial statements for those two departments and their enterprise funds. There is no need for multiple audits when these are all units of the same entity, the Town of Nantucket.

**Recommendation:**

The airport and water enterprise funds are enterprise funds of the Town of Nantucket as reported on the Town of Nantucket's Tax Recapitulation Sheet and financial statements. The two departments are funded by appropriations of Town meeting. All of the accounting activity of the two departments including their receivables must be recorded on the general ledger consistent with the above recommendations. As such one firm should audit all aspects of all financial activity of the Town and the Town should pay for one annual audit.

**23. Give Consideration over Long Term to Quarterly Tax Billing**

**Finding:**

The Town issued quarterly tax bills commencing in 1997 though 2002. In 2003 due to issues with converting property values from the VISION Tax Valuation system to the MUNIS Tax Billing Module, a decision was made to revert to semi annual billing. Semi annual billing reduces a municipality's cash flows as revenues from the levy are only billed in October and April and generally reduces funds available to the Treasurer for investment and interest earnings.

**Recommendation:**

Once a community converts to quarterly billings, it usually maintains that practice to continue to optimize cash flows and investment earnings. At this point in time, with the various challenges and issues facing the Finance Department, we do not recommend that the Town transition back to quarterly billings.

However it is an important issue for the Town to reconsider in a couple of years after other priority issues presented in this report are resolved.

**24. Require timely submittal of reimbursement requests for reimbursement projects**

**Finding:**

There are long delays in the filings of reimbursements for reimbursement programs such as Chapter 90. In many instances the Department of Public Works is responsible to initiate reimbursement requests on its own schedule.

**Recommendation:**

The Finance Department should institute a practice such that when a Chapter 90 payment is processed that it must be accompanied by a reimbursement request to Mass Highway for reimbursement in order to maximize cash flow. The reimbursement request would be reviewed by the Accounting Officer and submitted to Mass Highway concurrent with the release of payment to the contractor.

This recommendation will eliminate the need to reconcile the cash balance deficit to the amount of outstanding invoices awaiting reimbursement from Mass Highway, as reimbursement filings will be current/timely.

**25. Manage the tailings process on a timely basis in order to return “revenue” to the books**

**Finding**

The Finance Department does not investigate “uncashed” checks on a timely basis. In addition, the Town has not published a listing of “uncashed” checks for several years in order to determine if they are still a liability or whether they can be recorded as revenue. It is important to monitor tailings (“uncashed” checks) on a timely basis and to return funds that are no longer a liability to the general ledger as revenue.

**Recommendation**

The Treasurer should identify and research all “uncashed” checks (tailings) as a part of the timely reconciliation of all bank accounts. All checks that are not cashed within 60 days of the date of issuance should be investigated. After sixty days, the Treasurer (or designee) should send a notice of the “uncashed” check and the amount to the recipient of the check at their last known evidence of this mailing. Also, the *Monthly Bank Statement Reconciliation to Treasurer’s Cash Book* Report that must go to the Audit Committee as part of our Recommendation No. 18 will report any checks that have not been cashed after 60 days.

Checks that are not cashed after 120 days should be reported to the Accounting Officer as “uncashed” so the general ledger can be adjusted to increase “Cash” and to record a corresponding liability.

## **26. Facilitate on line access to bank accounts to departments**

### **Finding:**

Wannacomet Water and the Airport operate as enterprise funds. The Town has established several bank accounts for each enterprise. Cash receipts are directly deposited into these accounts and are transferred to Town accounts for warrant processing.

Wannacomet Water and the Airport do not have on-line access to all their bank accounts nor do they receive bank statements. Without timely data, and limited to no on line access to the bank accounts, and no bank statements, it is difficult to reconcile cash.

### **Recommendation:**

Wannacomet Water and the Airport should receive bank statements and should have on-line access to their bank accounts. Consistent with our recommendation above, it is also essential that the enterprise funds’ bank cash be reconciled to the MUNIS ledger balance (not subsidiary ledgers in those departments).

## **27. Need indirect cost methodology for certain departments/utilities**

### **Finding:**

Indirect costs represents costs incurred by the Town on behalf of the enterprise funds and the School Department. An indirect cost plan should be documented and agreed to between the Town, the enterprise funds and the School Department.

The Town and the School Department have a written indirect cost plan that has been agreed to between the Town and the School Committee. However, the indirect costs are not documented in an agreed upon, signed document between the Town and Wannacomet Water, the Town and the Sewer Utility, nor the Town and Airport.

### **Recommendation:**

Indirect costs should reflect services rendered by the Finance Department or the Town on behalf of the enterprise funds. The Town and Wannacomet Water, the Sewer Department, the Landfill, Siasconset Water, and Airport should agree to a written documented methodology for Town services provided on behalf of the enterprise funds. The indirect cost charges would be updated on an annual basis based on the methodology.

**28. Employee Leave Balances****Finding**

Employee vacation, sick and compensated absences benefits are maintained in the MUNIS system. A number of departments (Wannacomet Water, Airport, and Public Works) do not agree with the balances carried by the Town and thus maintain shadow systems to track this information, manually. We have not researched the specific reasons for this.

**Recommendation**

An accurate, centralized system can be a better way to ensure that employee leave balance practices are in compliance with Town contracts, policies and procedures. The Town should review this issue with these departments and resolve these differences.

**29. Need to Facilitate School End of Year Report Filing****Finding**

The End of Year Report is due to the Department of Elementary and Secondary Education by September 30 of each fiscal year. For the past three fiscal years, the Town did not file the EOYR timely. The filing dates were:

- FY07 (due September 30, 2007) was submitted on February 21, 2008.
- FY06 (due September 30, 2006) was school committee on March 21, 2007 and municipal May 9, 2007.
- FY05 (due September 30, 2005) was submitted on March 24, 2006.

The FY06 submittal was in two parts. The March 21 submittal was filed without Town costs incurred on behalf of the Schools. The May 9 submittal included the Town costs incurred on behalf of the Schools. Absent required ESE data fields in MUNIS (see next item), the School Department uses an extensive Excel system to report ESE required information, which results in late End of the Year Report submittals.

**Recommendation:**

The School Department should be able to maximize the use of the MUNIS system through a redesign of the chart of accounts. Once implemented, the preparation of the EOYR would be much easier. See the School Chart of Accounts finding and recommendation.

### **30. Need to Restructure the Chart of Accounts**

The classification structure is the vehicle by which accounting data is coded, processed, posted and reported. The MUNIS system provides organization, account and project codes as follows:

- Organization - eight segments with the first segment being a four character fund code and seven segments of up to ten characters each with a maximum of 20 characters
- Account - segment nine, six characters for assets, liabilities, fund equity, revenues and expenditures
- Project - Segment ten, five characters

The first segment is a three-character segment for fund. MUNIS reserves four characters for Segment 1, whether four characters are used or not. Segment 2, UMAS Function, is a three-character field for function where the School Department is coded 300. Segment 3 is a three-character field for department where the School Department is department 300, Elementary 301, Middle School 302, High School 303, Central System 304, and Plant 305.

Additional codes are provided in Segment 3 for sub funds (i.e., detail revolving, grant, gift funds). For example, the School Department will use Segment 3 codes for detail within Fund 24, Fed & State Grants Education and within Fund 26, Revolving Funds Education.

Segment 4, Sub, where the School Department uses codes for state program (SPED) and grade level (elementary, secondary) and location (middle school, high school).

Segment 5 (DOE/DOE) is a four-character field for state function codes. The School Department has many state function codes to use in the system including functions 1100 – 4450.

Segments 6, 7, and 8 are not used. Segment 9 is the MUNIS object code segment for assets, liability, fund equity, revenue and expenditure accounts. Segment 10, project, is not used.

### **Finding**

The current structure satisfies the Department of Revenue requirements for fund, UMAS function, department and object for expenditure accounts and fund and object for revenue and balance sheet accounts. The current structure however does not provide Department of Elementary and Secondary Education (DESE) required reporting data elements for location, all state functions, all state programs, state object, and all grade levels. (Note that the DESE has not required grade level reporting since 2003; grade level reporting is

still an accounting requirement in the regulations). The chart of accounts also does not support program based budgeting for the Town.

The MUNIS system is underutilized and some of the segments provide more than one informational element:

- Segment 2, UMAS Function, is a mixture of school department function 300 and other school codes such as 301 Elementary, 302 Middle School, 303 High School, 304 Central System, and 305 Plant.
- Segment 3, Department, is a mixture of school department (300) and other school codes such as Title 1 301, Special Needs 305, Child Evaluation 306, School Committee 311, Superintendents Office 311 and 312, transportation 333, and other codes.
- Segment 4, Sub, is a mixture of grade level and location codes.
- Segment 5, state function, does not include all the DESE required state functions. It is missing for example, 2305 classroom teachers, 2310 specialists and functions in the 5000 through 9000 ranges.

A redesign of the MUNIS system would provide the School Department needed data elements and would provide a vehicle to provide timelier reporting. A redesign would also support program based budgeting.

### Recommendation:

An alternative structure follows for the Town and School's consideration. This alternative provides for the same fund, function, department, sub and state function in segments 1 – 5 and object in segment 9. This structure, however, expands some of these segments and provides two-character fields for location and program, a four-character field for function, and one-character fields for state object and grade level, thus allowing for each segment to be unique. This provides a 20- character organization structure, and allows room in Segment 8 and the project segment for another use.

Org								Object	Project
Seg1	Seg2	Seg3	Seg4	Seg5	Seg6	Seg7	Seg8	Seg9	Seg10
Fund	Function	Dept	Sub	DOE/DOR	Location	State Obj	Other	Obj	Not Used
XXX	XXX	XXX	XX	XXXX	X	X	X	XXXXX	
4	3	3	2	4	1	1	2		

This alternative structure, or something similar to it, would require a full conversion of the chart of accounts. The Town and School Department should:

1. Redesign the chart of accounts to include all required DESE requirements.
2. Redesign Segment 3, Department, to be one use.
3. Revise Segment 4, Sub, to include grade levels for regular day, SPED, ELL, Voc/Occ Ed, after school, and undesignated.
4. Expand Segment 5, state function, to include ALL state function codes.

5. Include a separate segment for location, separate from grade level.
6. Include a state object code segment for professional salaries, clerical salaries, other salaries, contracted services, supplies, and other.
7. Consider other informational needs such as subjects (math, science, and the like) in the org structure.
8. Consider reducing Segment 2, UMAS Function, to one-character, if additional characters are needed elsewhere.

As part of this redesign, the Town should review the fund structure for all fund types. The Town segregates each individual grant by organization code within two funds on the general ledger without identifying which organization codes represent federal grants. The Town identifies the funding source of each grant outside of the MUNIS system. A redesign of the fund structure in MUNIS can eliminate the grant sub system and provide a more efficient way of identifying federal funds.

The Town would like to reform its budget practices and integrate department goals and performance data as part of a program or performance based budget. As part of this redesign, the Town should review the Town's service delivery system, define its programs within each department, and establish program codes within the chart of accounts for program/performance budgeting.

### **31. Document financial policies and procedures**

#### **Finding:**

The Town does not have an internal procedures manual that defines the responsibilities of each position within the Finance Department. As a result, procedures may not be completed. This report suggests new financial policies and procedures to strengthen internal controls or to improve efficiency and effectiveness.

#### **Recommendation:**

The Town will need to document the financial policies and procedures. Formally documented procedures and responsibilities of each position would clarify the process and ensure the intended internal controls are achieved.

## **C. ORGANIZATION AND STAFFING**

### **32. Need for clear dichotomy between treasury functions and accounting functions**

#### **Finding:**

There is no clear division and separation of duties between the Town's Treasury function and the Accounting/Control functions as referenced in some of the above findings. This

does not assure sound “checks and balances”. The Treasurer should not oversee activities related to postings to the general ledger; these are functions of the Accounting Officer and the Controller’s Office that reports to the Accounting Officer (the Director of Finance).

**Recommendation:**

Remove accounts payable and payroll processing and review activities (and the two staff positions) from the Treasurer and reassign to the Controller. The payments to vendors and to employees are transactions posted to the general ledger of the Town, which should be under the management and control of the Accounting Officer/Controller not the Treasurer. These positions should report to the Controller and should process transactions only based on training and directives provided by the Controller and Accounting Officer.

The role of the Treasurer is to disburse payables and payroll checks after the payroll warrant and payables warrant are prepared by the Controller’s staff and signed by the Accounting Officer and the Board of Selectmen based on adequate documentation.

At that point the Treasurer shall transfer funds from the relevant bank accounts to fund such warrants and then the Treasurer (or designee) should oversee the mailing and release of the checks.

The additional benefit of this recommendation is that it will allow the Treasurer to focus primarily on cash, the Cash Book, bank statements, payment of all state and federal payroll taxes and the periodic issuance of debt. *Appendix C* presents the Recommended Organization.

**33. Need to assign clear responsibilities and accountabilities to the “Accounting Officer” and to the Controller**

**Finding:**

The Nantucket Town Code as adopted in 1989 sets forth that the position of Director of Finance shall serve as either the Accounting Officer or the Treasurer of the Town. The current Director of Finance chose to serve as the Accounting Officer. As such the Director of Finance is the Accounting Officer and as importantly the Town’s Accountant” per all the various statutory references in Massachusetts General Law relative to certifying funds, signing contracts and agreements, certifying and signing forms (i.e. financial schedules of *Tax Recap Sheet*, Free Cash worksheet, *Schedule of Indebtedness*, *Schedule A*, *DOE’s End of Year Report* etc.) The Director of Finance (as Accounting Officer) for example is responsible for the accuracy of the general ledger and for various certifications subject to the “penalties of perjury”.



The Department of Finance also has the position of Controller. Unlike the “Accounting Officer”, the Assessor, the Collector and the Treasurer, the Controller has no statutory responsibilities pursuant to Massachusetts General Law.

There does not appear to be a clear delineation of responsibility between the “Accounting Officer” and the Controller. The identification of responsibilities between the two positions going forward is essential for both the Audit Committee and Town Manager in order to measure performance and assure accountability between the two positions and the two incumbents.

**Recommendation:**

The Director of Finance, as Accounting Officer, is responsible for the Town’s compliance with all accounting and financial reporting activities required per Massachusetts General Law.

Our report has presented recommendations that modify the current role of the Director of Finance. Specifically we have recommended removal of any detailed role of the Director of Finance in the reconciliation of the Cash Book, and in the reconciliation of bank statements. These recommendations enhance segregation of duties and allow more time for the Director of Finance to focus on accounting, reconciliation of the general ledger, financial reporting and monitoring and control of the general ledger.

We have also recommended that the Assistant Director of Finance be the Town’s principal budget officer responsible for budget, financial forecasting and capital improvement planning and programming. The Director of Finance should have very little involvement in these activities due to the critical need to improve the Town’s accounting and financial reporting. Based upon the skill set of the Assistant Director of Finance, which is a relatively new position, this position should be the principal contact through the Town Manager, to the Finance Committee, Board of Selectmen and to the Capital Planning Committee. The Town Manager and the various committees and boards should understand this. This again is important to allow the Director of Finance as Accounting Officer to focus on closing the books, preparing adjusting entries and balance sheets and Free Cash worksheets.

This clear designation of responsibilities is intended to focus the Director of Finance on accounting and to minimize the Director’s role in the budget, CIP and forecasting areas. Also, to assure sound segregation of duties, the Director of Finance is removed from any detailed role in treasury functions and activities. The Assistant Director of Finance will also serve as “Assistant Treasurer” which is solely a back up role to the Treasurer in the event of absence of the Treasurer to assure the timely and forthwith transfers of funds to cover payroll and payables warrants of the Town.

The Town had a staff accountant position until approximately one year ago and then the position was upgraded to Controller. The Town now has a full time

Controller/Accountant position. In our view, the opportunity (with changes recommended herein) to have the Finance Director spend 50 to 60% of her time on critical accounting needs, results in 1.6 FTE of high level staff designated to accounting functions. It is important for the Finance Director and the Controller to delineate each role to the Audit Committee and to the Town Manager in addressing the accounting and reporting needs to the standards of the audit firm and DOR. There should be specific accountabilities for each official.

Also, we recommend that the Finance Director and Controller be the staff to the Audit Committee. The Assistant Finance Director should not attend Audit Committee meetings and should focus on the other areas identified above.

### **34. Need to remove Human Resources/Personnel functions from the Finance Department**

#### **Finding:**

The Treasurer spends 55% of her time on personnel related and payroll related activities. The payroll assistant spends a portion of her time on set up and entry of personnel action/personnel administration (non payroll) data to the MUNIS system and additionally the Assistant Director of Finance spends a small portion of time on personnel related activities (beyond the position control activity). As explained in Recommendation 32 above, the payroll warrant activities and accounts payable warrant activities should be transferred to the Controller's Division that is functionally the correct area of the Finance Department for preparation and review of the warrants to the standards of the Accounting Officer. Also, all personnel administration, benefits administration and maintenance of MUNIS Personnel (non payroll) data and modules should not be a function of the Treasury Division of the Finance Department.

Personnel administration and benefits administration are functions of the Human Resources Department, not the Treasury. The performance of these activities, set up of new employees, counseling and assisting employees with benefits and deductions as well as HIPPA issues impedes the Treasurer and the Treasury Division's ability to focus on and accomplish their principal function to be the custodian of the Town's cash and to reconcile bank statements and maintain a timely and accurate cash book.

#### **Recommendation:**

Transfer personnel administration, benefits administration, employee assistance with deductions and benefits to the Human Resources Director. This will allow the Treasurer and other Finance Department staff to focus on key priorities: financial control, cash management and reconciliations. This recommendation transfers work activities from the Finance Department and will free up time of staff to focus on needed finance activities.

We do recommend the addition of one new position, an administrative support position to the Human Resource Director for all of the MUNIS personnel action, personnel administration and benefits related work as well as responsibility MUNIS personnel modules. Specifically the Human Resource Director and the new administrative position would be responsible for data entry, administration and oversight of the personnel files and modules of MUNIS exclusive of all the payroll processing which would continue, of course to be a responsibility of the Finance Department, Controller's Division. The "time and attendance" activity as explained above would be decentralized to the departments.

The MUNIS system through appropriate workflow design would flow the personnel actions: new employee, authorized rate of pay, promotion information, step increases etc. to the Payroll Module. This also promotes stronger internal controls as the person and the unit within the Town structure that pays the employees will have no authority to set them up in MUNIS. However, the need for a strong control role of Finance is enhanced as the Controller's Division, now responsible for payroll, will also "pre-audit" entry (periodically) of the Human Resources Department. Moreover, based on other recommendations we have made the Finance Department's control role is also improved to assure budgetary compliance by virtue of the fact that Finance must "sign off" on the *Personnel Action Form* (PAF) in the future and will also approve the newly recommended *Requisition to Hire*, again to assure budgetary compliance.

### **35. Need to assign "Assistant Treasurer" from current staff**

#### **Finding:**

At present the position of Treasurer is the only one in the Finance Department that can sign Town of Nantucket checks and is the only one who can transfer funds from bank accounts to provide funding for the payroll warrant and the accounts payable (vendor) warrants. If the treasurer is absent or on vacation, there is no back up position with authority to sign checks or with authority to transfer monies between bank accounts in order to fund the warrants.

#### **Recommendation:**

In combination with our other recommendations for changes in the Treasurer's Division of the Finance Department, we do not recommend the addition of a new position to be "assistant treasurer". We recommend that pursuant to M.G.L. Chapter 41, Section 39A that the Treasurer, with the approval of the Board of Selectmen, appoint an "assistant treasurer" from the current staff of the Finance Department. Per statute the position need not be a member of the Treasurer's staff and based on sound division of responsibility to assure sound segregation of duties, the "assistant treasurer" should not be anyone who works in the accounting/controller's division, nor the Finance Director (who is the Accounting Officer).

The most appropriate position to assume this responsibility is the Assistant Director of Finance. Again the assignment of this responsibility is solely in the absence of the Treasurer. The Assistant Director of Finance (as “Assistant Treasurer”) would serve solely as a back up position to sign any needed checks and to authorize the transfer of monies between bank accounts to fund warrants. The Assistant Director of Finance would need to be bonded and sworn in to office. As one additional option, the Assistant Town Manager could be the position to serve as “assistant treasurer”.

### **36. Assignment of Additional Responsibilities and Cross Training of the Executive Assistant to Finance Director)**

#### **Finding:**

The position of Executive Assistant to the Finance Director is focused on taking minutes (Finance Committee, Audit Committee and internal departmental meetings) and on correspondence, purchasing for the Finance Department and entry of wire/manual payments for the accounts payable warrant. The position also enters “payables” for wire transfers. The Finance Department has many functions and responsibilities of greater priority that require support and assistance.

#### **Recommendation:**

We recommend that this position be trained as a back up position for review and processing of the accounts payable warrant as well as for review and processing of the payroll warrant under the oversight of the Controller. These are two fundamental and essential functions that must be performed every week.

Currently there is no back up for the accounts payable warrant and this position cannot take vacation, except “between” accounts payable warrants. There is an essential need for immediate training to provide back up for these two essential functions.

#### **IV. Finance Department and Financial Activities in the Future**

There has been much focus on the fact that the Finance Department is chronically late in reconciling the cashbook to the general ledger; this is the result of many larger issues within the department. Our study has found serious weaknesses in the Department including:

- Misplacement of functions and responsibilities
- Consolidation of responsibilities with one individual or unit that instead must be segregated to assure sound internal controls
- Lack of understanding of the treasury function vs. the accounting function
- Lack of understanding of the need to centralize controls and posting authorities
- Lack of sound management and control of the general ledger which risks the integrity of the general ledger
- Serious and long standing weaknesses in internal controls
- Duplicate accounting systems within the town and maintenance of decentralized financial records due to lack of confidence in the Finance Department's record keeping
- Deficiencies in the flow and reporting of information to the Accounting Officer
- Need for recording and reporting of all departments financial activities on the general ledger
- Processing of transactions without the authorizing documents
- Lack of fundamental understanding of why core financial activities or controls are necessary
- No clear understanding that the Finance Department must control and monitor financial activity and status
- Weak pre audit and control role of the Department

Section IV. presents a four page table: *Summary of Recommended Changes: Today versus Future* that presents what we believe must change in terms of the organization, transfer of responsibilities, internal controls, operations, workflows, reporting and segregation of duties.

The Finance Department must change its fundamental role and become a pre audit and control entity responsible for the accounting and reporting of all Town departments' financial transactions, over the course of the next couple of years. The Finance Department is at a critical point in its ability to accomplish the accounting and financial reporting necessary to meet DOR and ESE requirements and in proving the capacity to prepare and present timely and accurate reports of financial activity. The Finance Department going forward must:

- Have internal controls documented and procedures in place
- Be current with respect to audits and state reporting.

Our review of the Department indicates that the Assessing Division and Collector's Division can operate independently which is positive in that the Director of Finance can focus on the key priority: accounting and financial reporting. Also, the Assistant Director of Finance can focus on and address the development and preparation of the annual budget (with the Town Manager's office), the capital improvement program and the financial forecast. It is also important that there be segregation of duties between the Director of Finance as Accounting Officer and correspondingly not being involved in Treasury functions such as reconciliation of the Cash Book to bank statements. All of these factors should promote and allow total focus of the Accounting Officer (Director of Finance) and the Controller on the number one priority for the department: accounting and financial reporting.

The most immediate recommendation for accountability is that cash be reconciled monthly. We have included a sample cash reconciliation report to facilitate this task. By reconciling cash monthly, cash balances and revenues and expenditures are monitored and recorded properly, thus addressing the auditor's qualifications on the opinion letter. We are recommending that monthly reports documenting the reconciliation of cash be delivered and presented to the Audit Committee. When cash reconciliations are up to date then each month going forward:

- Cash be reconciled monthly by the 20<sup>th</sup> of the next month
- Cash reconciliations along with accounts receivable reconciliations (real estate, personal, motor vehicle excise, police details, Wannacomet water, sewer, Airport, etc) must be reported monthly to the Audit Committee.

These reports to the Audit Committee are fundamental to demonstrate that the reconciliation of cash as well as the reconciliation of receivables is under control on a current basis.

Today the Finance Department does a lot of processing; the recommendations herein strive to position the Finance Department as a pre-audit, review and control entity allowing more time for analysis. Our recommendations decentralize MUNIS entry to departments in order to promote the review and control function of the Finance Department. Our recommendations remove posting authority to the general ledger from all excepting the Accounting Officer and staff in the Controller's Division, as they are responsible and accountable for the integrity of the general ledger of the Town. Posting should only be done after they are satisfied and have reviewed the financial transactions to their standards. The reporting (documents) to the Accounting Officer must be separate from those to the Treasurer as a basic check and balance of the general ledger to the cash book. The Finance Department in the future must control the financial transactions and reports of all departments of the Town through timely and accurate reporting on the general ledger, with one integrated financial management system.

## IV. Summary of Recommended Changes Today versus Future

	Topic	Today	Recommended for Improvement
<b>Transfer of Responsibilities for Improved Reporting, Checks and Balances and Internal Controls:</b>			
<i>A</i>	Accounts Payable Function and AP Warrant	Treasury Division	Controller's Division
<i>B</i>	Payroll Function and Payroll Warrant	Treasury Division	Controller's Division
<i>C</i>	Payroll "Time and Attendance" Entry	Entered in Treasurer's Office	Decentralize to each Department
<i>D</i>	Personnel Administration, MUNIS Processing of Personnel Actions, Benefits Assistance	Treasury Division	Human Resources Office
<i>E</i>	Cash Receipts Entry	Treasury Division	Decentralize to each Department (retain some in Treasury)
<i>F</i>	Cash Receipts Posting	Treasury Division	Controller's Division
<i>G</i>	Real Estate Abatement Entry	Collection Division	Assessor's Division
<i>H</i>	Real Estate Abatement Posting	Collection Division	Controller's Division
<i>I</i>	Personal Exemption Entry	Collection Division	Assessor's Division
<i>J</i>	Personal Exemption Posting	Collection Division	Controller's Division
<i>K</i>	Tax Refunds (Real, Personal, MVX) Posting	Collection Division	Controller's Division
<i>L</i>	Reporting of Balances on MLCs	Collection Division and Verbal Communication with Wannacomet Water	Vest all Authority in Collection Division

## IV. Summary of Recommended Changes Today versus Future

	Topic	Today	Recommended for Improvement
<i>M</i>	General Ledger Posting Authority - Treasury Staff	Unlimited	None
<i>N</i>	General Ledger Posting Authority - Collection Staff	Payments, Abatements and Refunds	None
<i>O</i>	General Ledger Posting Authority - Assessor's Staff	MVX Abatements	None
<i>P</i>	Remove Posting Authority of Other Departments	Remove from Depts.	All Posting in Controller's Office
<i>Q</i>	Back up Treasurer for Emergencies and Absences	None	Appoint Assistant Treasurer (as back up)
<b>Improved Operations, Controls or Reporting for "Checks and Balances"</b>			
<i>R</i>	Cash Drawer in Collector's Office	Shared	Separate drawer for each staffer
<i>S</i>	Transmittal of "Departmental Payments to the Treasurer" Report	To Treasurer	One Document to Treasurer and separate copy to Accounting Officer
<i>T</i>	Transmittal of Collector's Daily Turnover	To Treasurer	One Document to Treasurer and separate copy to Accounting Officer
<i>U</i>	Transmittal of Wannacomet's Billed Commitments with supporting Documentation	Not Done	Signed Commitment and Supporting Documentation to Accounting Officer
<i>V</i>	Transmittal of Siasconset Water's Billed Commitments with supporting Documentation	No Supporting Documentation Submitted	Signed Commitment and Supporting Documentation to Accounting Officer
<i>W</i>	Transmittal of Sewer Utility's Billed Commitments with supporting Documentation	No Supporting Documentation Submitted	Signed Commitment and Supporting Documentation to Accounting Officer
<i>X</i>	Transmittal of Wannacomet's Abatements with supporting Documentation	Not Done	Signed Abatement and Supporting Documentation to Accounting Officer



## IV. Summary of Recommended Changes Today versus Future

	Topic	Today	Recommended for Improvement
<i>Y</i>	Transmittal of Siasconset Water's Abatements with supporting Documentation	Not Done	Signed Abatement and Supporting Documentation to Accounting Officer
<i>Z</i>	Transmittal of Sewer Utility's Abatements with supporting Documentation	Not Done	Signed Abatement and Supporting Documentation to Accounting Officer
<i>AA</i>	Provision of Receipt by Treasury staff to Department's Turning over Cash and Checks	Not always done	Mandatory to Provide Receipt
<i>BB</i>	Provision of Cash Register Tapes for Significant Departmental Turnovers to the Treasurer	Not Done	Initiate for Large \$\$ Turnovers
<i>CC</i>	2 Bank Accounts Not under Custody of Treasurer	Check writing authority vested with 2 town officials	Remove authority and sole authority must be Treasurer
<i>DD</i>	Formal Authority for Finance Dept. to Sign Personnel Action Forms and to Approve Requisitions to Hire	Authority and Process does not provide for "sign off" by Finance Dept.	New Forms and Sign off process to include Finance Dept. upfront and process to assure Control
<i>EE</i>	Recording of Real Estate Abatements and Exemptions	Dual Systems	One system of record
<i>FF</i>	Chapter 90 Reimbursements	Long After Payment to Vendors	Simultaneous submittal of Reimbursement Request to Mass Highway with Release of Payment to Vendor
<i>GG</i>	Tailings	No current processing	Timely and more current process to increase revenue
<i>HH</i>	Entry and Set up of New Vendors in MUNIS	Decentralized throughout town departments	Centralize in procurement staff within Town Manager's Office
<i>II</i>	MUNIS Budget Controls	Not turned on	Activate
<i>JJ</i>	Monthly Reporting and Attestation of Cash Reconciliation and Accounts Receivable Reconciliation to Audit Committee	No evidence of Reconciliations Submitted	Mandatory Evidence and Report to be Submitted to Audit Committee by 20th of following month
<i>KK</i>	Number of Audit Firms	Two	One

#### IV. Summary of Recommended Changes Today versus Future

	Topic	Today	Recommended for Improvement
<i>LL</i>	School Chart of Accounts	Does not facilitate ESE Reporting Requirements	Restructure to facilitate reporting to ESE
<i>MM</i>	Treasury Designee to Sign Checks and Transfer Funds between Bank Accounts (back up)	None	Assign to Assistant Director of Finance or to Assistant Town Manager

## **V. Implementation Plan**

This section of the report presents an implementation plan or guide for each recommendation in Section III. It assigns a level of priority to each recommendation, (critical, very high, high or moderate). It assigns a suggested time frame for resolution and it places accountability with the position or positions that should see that the recommendation is accomplished.

After the first phase of The Abrahams Group Report, the Town will work with us to develop a detailed implementation plan. The second phase will focus on implementing new financial controls, transferring functions within the Finance Department, transferring functions to the Human Resources Department, transferring time and attendance entry to departments, training, documenting financial policies and procedures, and other tasks as necessary.

### **Leadership and Accountability**

Going forward, Nantucket must be able to establish proper internal controls and meet key accounting and financial reporting deadlines pursuant to the internal standards it sets and for reporting to the Department of Revenue.

The Board of Selectmen and Town Manager must support the change in the fundamental role of the Finance Department. It is also important that the Board, the Audit Committee, and the Town Manager must require that the water department(s), the airport and all departments identified in the report adopt the changes to achieve the recommendations and comply with the recommendations in order to improve the financial controls, processes and procedures.

We hope the recommendations in this report will help set the foundation to make changes in the orientation, organization and priorities of the Finance Department. Ultimately, the Town will need to assign responsibility and hold people in the Finance Department as well as in other identified departments accountable to meet these objectives.

**Town of Nantucket**  
**Department of Finance**  
**Implementation Plan**

Number	Recommendation	Priority	Timeline	Accountability
<b>INTERNAL CONTROLS: Cash Receipts and Collections</b>				
1	Eliminate Treasurer's general ledger posting authorities	Very High	Immediate	Finance Director
2	Need for independent reporting of receipts and collections to the Accounting Officer	High	Immediate	Finance Director
3	Need to provide receipt for cash/checks by Treasurer's Office at time of delivery of funds	High	Immediate	Treasurer
4	Internal control weaknesses based on job design for abatement entry and payment entry to accounts receivable system.	High	Immediate	Finance Director
5	Transfer bank accounts that are not under custody of Treasurer to the Treasurer's custody	High	Within 30 days	Treasurer
6	Require submittal of cash register tapes (proof of sales) for major turnovers to the Treasurer and Accounting Officer	Moderate	Within 90 days	Finance Director and Controller
7	Eliminate the practice of sharing a "cash drawer" in Collector's Office	Moderate	Within 30 days	Finance Director and Collector
<b>INTERNAL CONTROLS: Payroll and Personnel Actions:</b>				
8	Internal control weaknesses based on job design for new employee entry/pay adjustments and responsibility for payroll processing	High	Immediate	Finance Director, Assessor and Collector
9	Finance Department must review and approve <i>Personnel Action Forms (PAFs)</i> and <i>Recruitment Requisitions</i> (new form)	High	Within 60 days	Assistant Finance Director, H. R. Director and Town Manager
10	Payroll is processed without authorization document to allow the action	High	Immediate	Finance Director and Controller
11	Departmental payrolls submitted and processed without department head's signature	High	Immediate	Finance Director and Controller

**Town of Nantucket**  
**Department of Finance**  
**Implementation Plan**

Number	Recommendation	Priority	Timeline	Accountability
<b>INTERNAL CONTROLS: Vendor Transactions and Accounts Payable</b>				
12	Widespread decentralized MUNIS rights to create new vendors presents a weakness in internal controls	High	Within 30 days	Finance Director and Town Manager
13	Need to activate MUNIS budget controls (and require transfers)	High	Within 6 months	Finance Director and Asst. Finance Director
14	Require receiving reports with invoices in order to authorize payment of invoices for goods, materials or equipment	Moderate	Within 6 to 9 months	Finance Director and Controller
<b>WORKFLOWS AND WORK PROCESSES</b>				
15	Decentralize "Time and Attendance" entry of payroll in order to optimize finance staff time, to create efficiencies and improve controls	High	Within 9 to 12 months	Finance Director and Controller
16	Decentralize "Cash Receipts" entry to departments in order to optimize finance staff time, to create efficiencies and approve controls	High	Within 9 to 12 months	Finance Director and Treasurer
17	Eliminate duplicate systems for recording abatements and exemptions	Moderate	Within 6 months	Assessor
18	Immediately implement formal monthly reporting to Audit Committee as evidence of monthly cash reconciliation, accounts receivable reconciliation and budget reconciliation	Critical	Immediate	Finance Director and Controller
19	Report all "balances due" on Municipal Lien Certificates (MLCs)	High	Within 60 days	Finance Director and Collector and IT Director
20	Record all Accounts Receivables Transactions of MUNIS General Ledger	Very High	Immediate	Finance Director and Controller
21	Establish and maintain one accounting and financial reporting system (General Ledger)	High	Within 12 to 18 months	Finance Director and Controller with Wannacomet and Airport Controllers

**Town of Nantucket**  
**Department of Finance**  
**Implementation Plan**

Number	Recommendation	Priority	Timeline	Accountability
22	Hire one audit firm to audit one set of GAAP Annual Financial Statements	Moderate	Within one year	Audit Committee
23	Give long term consideration to reinstitution of quarterly billing	Moderate	In 3 to 4 years	Finance Director, Assessor and Collector
24	Require timely submittal and control of key reimbursements such as Chapter 90	Moderate	Within 3 to 6 months	Finance Director and Controller
25	Manage the tailings process on a timely basis in order to return "revenue" to the books	Moderate	Within 6 months	Finance Director and Treasurer
26	Facilitate on line access to bank statements	Moderate	Within 60 days	Treasurer
27	Need an agreed upon documentation for indirect cost allocation for certain departments/ utilities	Moderate	Within 6 to 12 months	Finance Director and Controller
28	Need to centralize and assure accuracy of employee leave balances	Moderate	Within 3 months	Finance Director and Controller
29	Need to facilitate School End of Year Report Filing	Moderate	1 to 2 years	School Business Manager and Controller
30	Need to restructure chart of accounts	Moderate	1 to 2 years	School Business Manager and Controller
31	Document financial policies and procedures	Moderate	Ongoing	Assistant Finance Director
<b>ORGANIZATION AND STAFFING</b>				
32	Need for clear dichotomy between treasury functions and accounting functions	High	Within 60 days	Finance Director, Controller and Treasurer
33	Need to assign clear responsibilities and accountabilities to the "Accounting Officer" and to the Controller	High	Within 30 days	Finance Director, Controller and Town Manager

**Town of Nantucket**  
**Department of Finance**  
**Implementation Plan**

<b>Number</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Timeline</b>	<b>Accountability</b>
34	Need to remove Human Resource/Personnel functions from the Finance Department	High	Within 90 days	Town Manager
35	Need to assign “Assistant Treasurer” role to current staff	Moderate	Within 60 days	Treasurer and Board of Selectmen
36	Assignment of additional responsibilities and cross training of the Executive Assistant to the Finance Director	Moderate	Within 60 days	Finance Director and Controller

## *Appendix A*

### **Town of Nantucket Review of the Finance Department**

#### **List of Individuals Interviewed**

##### **Department of Finance**

###### ***Management Division:***

Connie Voges	Director of Finance
Irene Larivee	Assistant Director of Finance
Craig Abernathy	Executive Assistant

###### ***Assessing Division:***

Debbie Dilworth	Assessor
Ellen Trifero	Assistant Assessor
Maureen Diluca	Field Assessor
Elizabeth Flanagan	Administrative Assistant
Patricia Giles	Senior Clerk
Thomas Erichsen	Data Collector

###### ***Collections Division:***

Elizabeth Brown	Collector
Pamela Butler	Assistant Collector
Trisha Murphy	Administrative Assistant

###### ***Treasury Division:***

Deb Weiner	Treasurer
Wanda Hilts	Accounts Payable Assistant
Krista Lewis	Cash Receipts Assistant (substitute for Payroll)

###### ***Controller's Division***

Bob Dickinson	Controller
Kathy Richen	Operations Coordinator/Bookkeeper
Robin LaPiene*	Accounting Clerk

##### **External to Finance Department**

Libby Gibson	Town Manager
Malachy Rice	Assistant Town Manager
Pat Perris	Human Resource Director
Linda Rhodes	IT Director
Linda Bradbourne	Assistant Town Clerk
Charles Gibson	Deputy Chief of Police



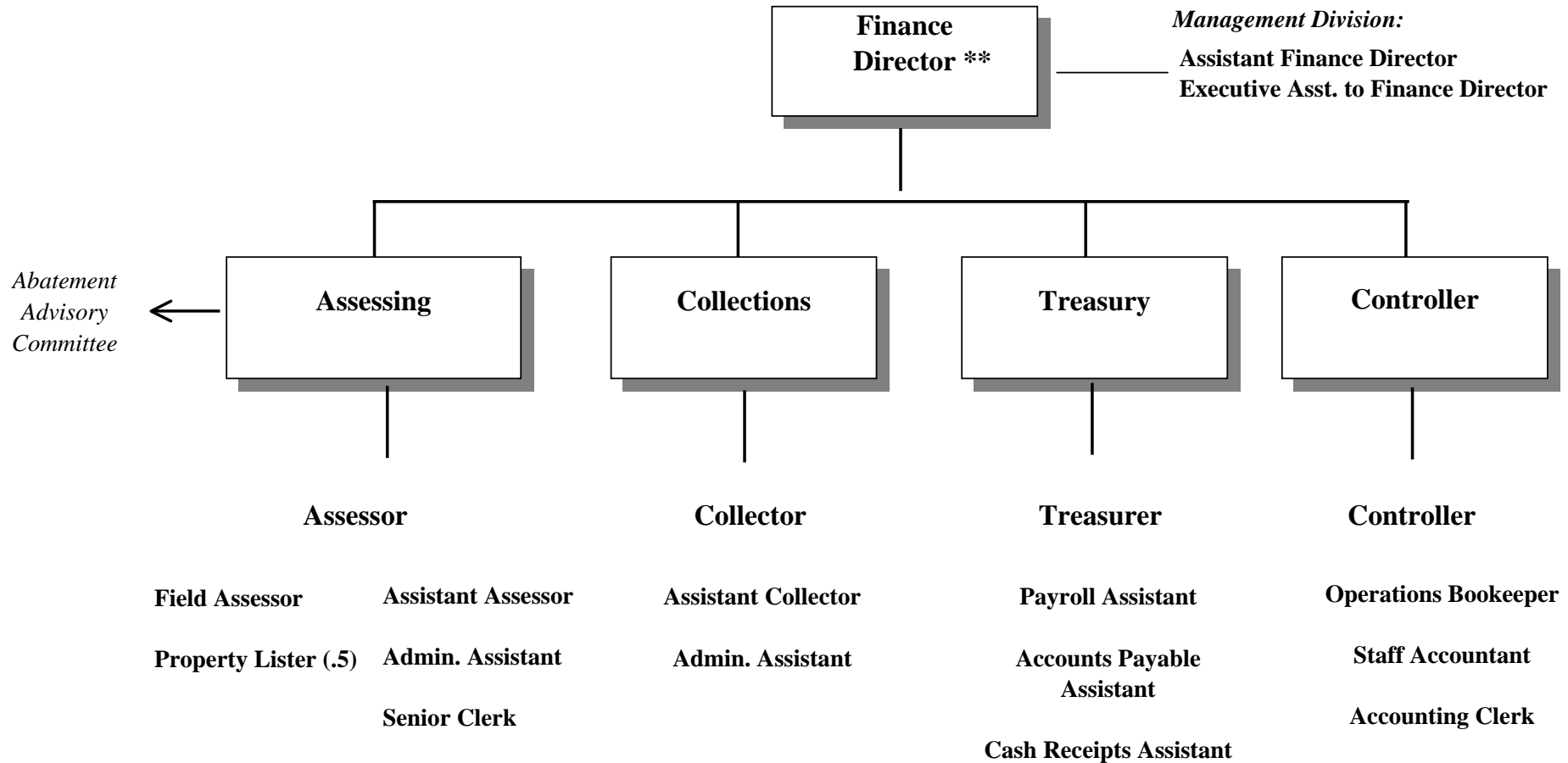
*List of Individuals Interviewed (continued)*

Sheila Clinger	Administrative Assistant – Police Department
Heidi Holdgate	Wannacomet Water
Robert Gardner	Wannacomet Water
Glen Field	School Business Manager
Michael Kopko	Board of Selectmen
Patty Roggeveen	Board of Selectmen
James Kelly	Finance Committee
Mathew Mulcahy	Finance Committee
Al Peterson	Airport
Tina Smith	Airport
Jeff Willett	DPW Director
Patty Rottmeier	Former Town Accountant
James Powers	Powers & Sullivan, CPAs
Renee Davis	Powers & Sullivan, CPAs
Barbara Dakin	Department of Revenue, Bureau of Accounts

*\* Telephone interview after on job for one month*

**DEPARTMENT OF FINANCE**

*as of August 2008 \**



\* All positions represent 1 Full Time Equivalent (FTE) unless noted otherwise

\*\* Serves As Accounting Officer per Section 19-11 of Town Code

Town of Nantucket  
Monthly Bank Statement Reconciliation  
to Treasurer's Cash Book

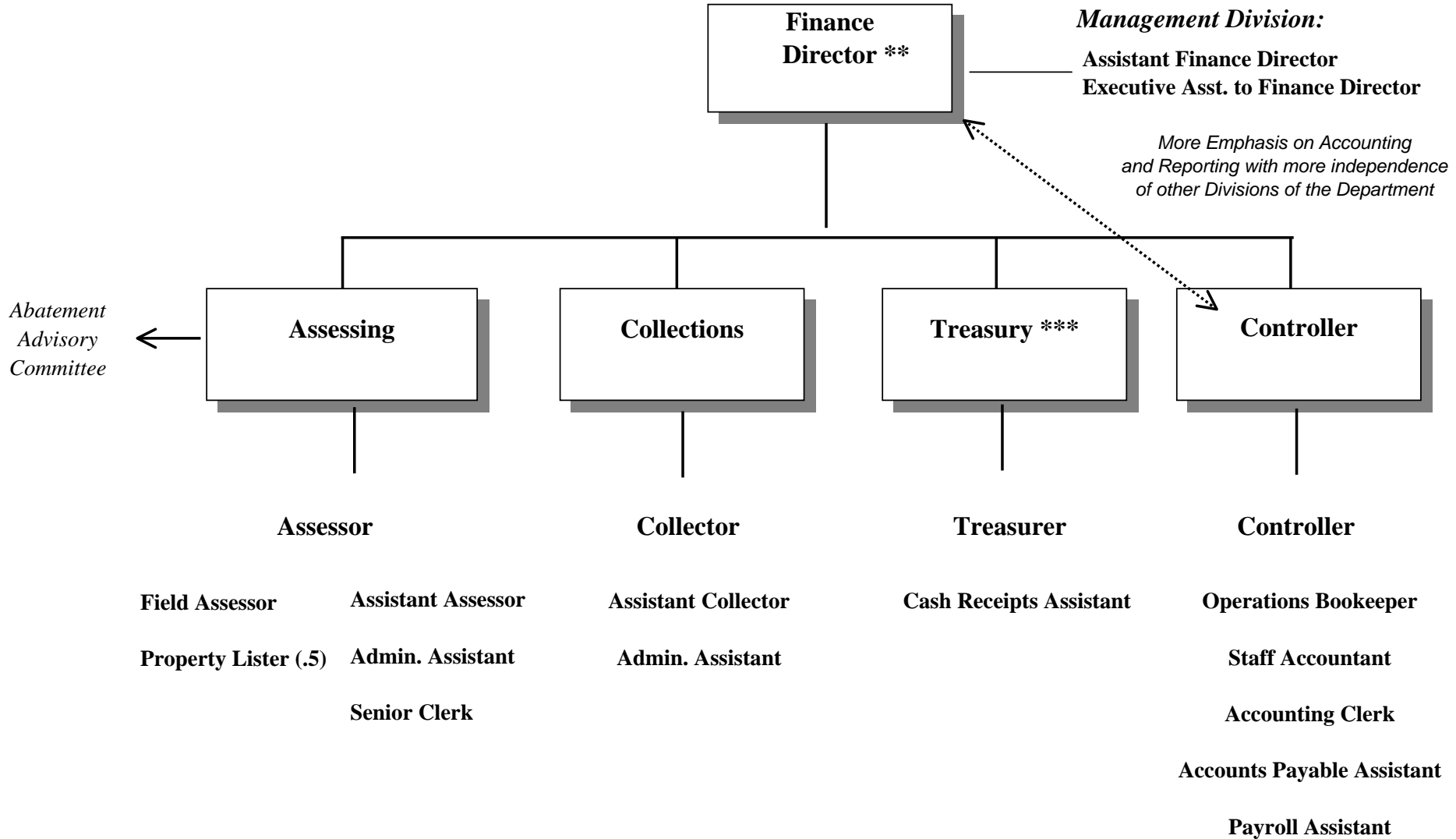
Appendix C

	Listing of Bank Accounts	Bank Statement Balance	Outstanding Checks (Current)	Outstanding Checks More than 180 days*	Unwarranted Disbursement (Current Month)	Unwarranted Disbursement (More than 30 days)*	Deposits in Transit (Current Month)	Deposits in Transit (More than 30 days)*	All other Adjustments (Current Month)	All other Adjustments (More than 30 days)*	Adjusted Bank Balance	Treasurer's CASH BOOK Balance	Variance
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
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27													
28													
	TOTAL												

\* Detail Attached

# DEPARTMENT OF FINANCE

## Recommended Structure



\* All positions represent 1 Full Time Equivalent (FTE) unless noted otherwise

\*\* Serves As "Accounting Officer" per Section 19-11 of Town Code

\*\*\* Treasury Division: Transfers Personnel Functions of Treasury to Human Resource Department and Transfers Accounting/Warrant staff to Controller/Accounting Division of Finance Department